

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) DISCLOSURE AND INSTITUTIONAL SUSTAINABILITY AMONG MICROFINANCE BANKS IN SOUTH-SOUTH NIGERIA

Efenudu, Loveth Nkiru

Department of Business Administration, Novena University, Ogume,
Delta State, Nigeria

Email: loveth.efenudu.phd@gmail.com

ORCID: 0009-0005-4817-1970

Okedoye, Akindele

Department of Mathematics, Federal University of Petroleum Resources Effurun,
Warri, Delta State, Nigeria

Email: okedoye.akindele@fupre.edu.ng

ORCID: 0000-0002-7070-0737

*Corresponding author: loveth.efenudu.phd@gmail.com

ABSTRACT

For Microfinance Banks (MFBs) in South-South Nigeria, reporting on environmental, social and governance issues has become more pressing as donors and regulators push for sustainable finance. Yet the Niger Delta is a difficult place to run a small bank, given oil spills, seasonal floods, and borrowers whose incomes can vanish overnight. This empirical article examines whether ESG disclosure helps MFBs sustain their operations. Data were obtained from 200 usable survey responses collected from senior staff of licensed MFBs across Akwa Ibom, Bayelsa, Cross River, Delta, Edo, and Rivers States. A five-point scale questionnaire was used, and Cronbach's alphas ranged from 0.68 to 0.85. Multiple regression analysis (SPSS v27) produced mixed results: social disclosure showed a positive effect ($\beta = 0.44$, $p < 0.01$); environmental disclosure was not statistically significant once other factors were included ($\beta = 0.15$, $p = 0.135$); and governance disclosure showed a positive but modest effect ($\beta = 0.27$, $p < 0.05$). The article concludes that social reporting matters most to these MFBs, while environmental and governance disclosure face real-world obstacles. The Central Bank of Nigeria should reconsider before imposing a complex ESG template on small banks that are still trying to survive.

Keywords: ESG Disclosure, Institutional Sustainability, Microfinance Banks, Niger Delta, Nigeria

1. INTRODUCTION

What if the survival of a small bank depended not on its balance sheet, but on whether it told the public how many women it lent to? Across the world, from Bangladesh to Brazil, environmental, social, and governance (ESG) disclosure has moved from a niche concern of multinational corporations to a mainstream expectation for financial institutions of all sizes. The United Nations Principles for Responsible Banking, adopted by over 300 banks globally, signal that transparency on non-financial matters is now seen as central to long-term resilience (UNEP FI, 2025). In

Nigeria, the Central Bank introduced its Sustainable Banking Principles in 2012, but these were directed almost exclusively at deposit money banks (Central Bank of Nigeria, 2012). The microfinance sector, with over 800 licensed MFBs, was largely left out of that conversation.

That exclusion matters because MFBs in the Niger Delta face problems that head office bankers in Lagos never encounter. Some MFBs in Bayelsa have loan officers who must take a canoe to visit clients after the rains. Managers in Rivers, encountered during fieldwork, could not say how many of their borrowers had been displaced by the last flood. These are not abstract ESG talking points. They are daily survival issues.

South-South Nigeria (the six states) sits at the heart of the country's oil industry. Decades of oil spills and gas flaring have ruined farmland and fishing waters (Odubo & Onoja, 2022). Climate change has made flooding worse (Tribune Online, 2023). When a borrower's cassava farm turns acidic or her fish drying kiln is submerged, she defaults. The MFB then carries that loss. Ignoring the environment, therefore, is not a neutral position; it is expensive.

Socially, the region has high unemployment, low financial literacy, and frequent conflicts between communities and oil companies. MFBs that do not demonstrate they are helping by lending to women, training youths, and supporting displaced people, risk losing community trust (Ezeh et al., 2025). And on governance, many MFBs are still run like family businesses, with no independent audit committees, no whistleblower policy, and insider loans that are all too common.

To understand these issues systematically, this article measures four key variables. Environmental disclosure refers to the extent to which an MFB reports on issues such as flood risk exposure, loan portfolio vulnerability to climate events, and any measures taken to reduce environmental harm. Social disclosure captures reporting on borrower demographics (e.g., gender breakdown), community development programmes, youth training, and support for displaced or vulnerable clients. Governance disclosure includes transparency about board structure, audit committees, whistleblower policies, and related-party transactions. Finally, institutional sustainability is defined as the MFB's ability to maintain positive financial performance (e.g., return on assets), retain depositor trust, and continue operations over time despite environmental and social shocks.

This article therefore set out to answer a straightforward question: does disclosing ESG activities, specifically environmental disclosure, social disclosure, and governance disclosure, actually help an MFB stay in business (institutional sustainability)? And if so, which dimension matters most?

2. Literature Review

Conceptual Framework

Based on the literature, all three dimensions of ESG disclosure are expected to matter:

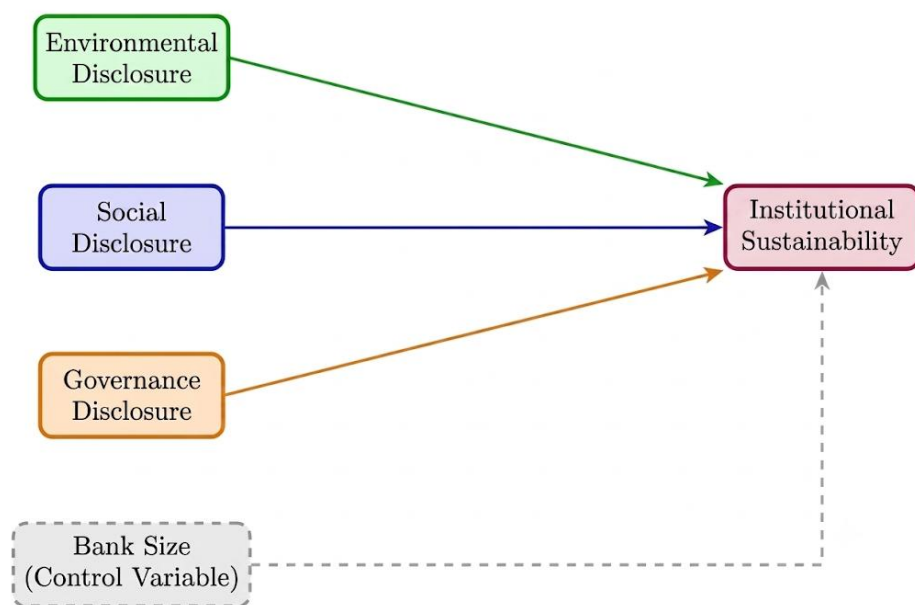


Figure 1: Conceptual Framework of ESG Disclosure and Institutional Sustainability

Figure 1 lays out the concept: each ESG dimension (environmental, social, governance) may affect institutional sustainability. Bank size (log of total assets) was also included as a control variable, given that larger banks might have more resources to engage in ESG reporting.

To understand the relationship between ESG practices and institutional survival, this article operationalises four specific variables within its model, alongside one control variable:

Environmental Disclosure (Independent Variable): This refers to the extent to which a Microfinance Bank (MFB) reports on environmental risk factors. It is measured by whether an MFB reports on flood risk exposure of its loan portfolio, the impacts of oil spills, climate-related loan defaults, and any measures taken to reduce environmental harm.

Social Disclosure (Independent Variable): This captures the institution's reporting on its social impacts and community engagement. It is measured through reporting on the gender composition of borrowers, community development and training programmes, and support systems for displaced or vulnerable clients.

Governance Disclosure (Independent Variable): This variable assesses internal transparency and ethical oversight. It includes transparency regarding board structure, the existence of audit committees, the presence of whistleblower policies, and the disclosure of related-party loans.

Institutional Sustainability (Dependent Variable): This is defined as the MFB's ability to maintain a positive financial performance, such as return on assets. It also encompasses the bank's capacity to retain depositor confidence and continue its operations over time despite environmental and social shocks.

Bank Size (Control Variable): Measured as the log of total assets, this variable is included to control for institutional capacity. It accounts for the fact that larger banks might naturally have more resources available to engage in and publish ESG reporting.

Theoretical Framework

Three theories guided the thinking behind this article.

Stakeholder Theory (Freeman, 1984). This theory holds that a business must serve many groups, not just its owners. For an MFB in the Niger Delta, stakeholders include women's cooperatives, local chiefs, environmental officers, and even youth groups who might cause disruption if they feel excluded. When an MFB reports how many women it lends to or how it handles borrowers affected by a spill, it demonstrates accountability. This should build trust and support institutional survival.

Legitimacy Theory (Suchman, 1995). This theory concerns the need to operate within what society considers acceptable behaviour. In Bayelsa, a bank that remains silent when its borrowers are suffering from pollution will quickly lose legitimacy. People will withdraw their savings or refuse to repay loans. ESG disclosure becomes one way to maintain or repair that legitimacy.

Agency Theory (Jensen & Meckling, 1976). This theory addresses conflicts between managers (agents) and those who provide capital (principals). Without transparency, board minutes, audit reports, related-party loan disclosures, and other vital documents, managers can lend to themselves or their relatives while depositors remain in the dark. Good governance disclosure is intended to reduce that problem.

Emperical Review

Alrashed (2026) looked at whether ESG disclosure really affects financial performance in the long run. Using data from large S&P 500 companies, the study employed panel cointegration modelling and fixed-effects regressions. The key finding was that ESG disclosure does have a structural link to financial performance, and this link gets stronger when stock markets are volatile. However, when credit markets are under stress, the effect weakens. The study concluded that ESG disclosure is not just a box-ticking exercise, it is a strategic tool that helps companies survive market shocks.

Mateev (2026) examined how the different parts of ESG (environmental, social, governance) affect bank performance across different countries, comparing both conventional and Islamic banks. The analysis revealed a U-shaped relationship, meaning that initial ESG investments might not pay off immediately, but eventually they do. Social and governance disclosures were found to align well with regional norms and boost reputation. Environmental disclosure, however, required more careful strategic thinking before it could become a competitive advantage rather than just a cost.

Ahmed (2025) investigated whether good ESG disclosure could predict banking risk. The study tracked the 100 largest commercial banks in the Middle East and Africa over ten years, using both dynamic panel analysis and machine learning techniques. The results showed that high-quality

ESG disclosure was linked to lower banking risk. Social and environmental disclosures were particularly good at predicting risk reduction, while governance disclosure was less useful in this regard. The author suggested that ESG disclosure could serve as an early warning system for credit, liquidity, and operational risks.

Iyawe and Chijuka (2025) focused specifically on Nigerian deposit money banks. Using data from 2015 to 2024 and fixed effects regression, they examined how ESG reporting affects return on equity. Their findings showed that governance disclosure had the strongest positive effect on profitability, followed by environmental disclosure. Social responsibility and risk management frameworks also mattered. The study argued that good governance builds investor confidence and supports long-term capital growth in developing economies like Nigeria.

Oyegunle-Esimaje (2024) looked at Nigerian non-financial firms, using content analysis of annual reports over ten years. The study measured both accounting performance (ROA and ROE) and market-based value (Book Value to Equity). The findings showed a strong positive link between ESG reporting and accounting performance, suggesting that better disclosure improves internal efficiency. However, there was an unexpected negative relationship between ESG scores and Book Value to Equity, indicating that too much investment in sustainability might divert resources from other areas.

Alamsyah and Muljo (2023) explored how ESG dimensions affect banking performance in the Asia-Pacific region, comparing the pre-pandemic period (2018-2019) with the COVID-19 shock period (2020-2021). Using panel data regression, they found that social disclosure had a strong positive impact on performance by building customer loyalty and community goodwill. Environmental disclosure, however, showed a negative relationship with short-term ROA, likely because of the high upfront costs of environmental compliance. The study highlighted that meeting stakeholder expectations stabilises operations but comes with short-term trade-offs.

Amirullah (2022) examined the relationship between ESG disclosure, leverage, company size, and financial performance in commercial banks. Using multiple linear regression with ROA as the performance measure, the study found that ESG disclosure and the debt-to-equity ratio both had significant positive effects on bank performance. Interestingly, bank size showed a negative relationship. The study also found that a lower non-performing loan ratio strengthened the positive effect of ESG on performance, emphasising that good credit risk management helps banks get more value from their sustainability efforts.

Buallay (2020) investigated how different ESG pillars affect bank performance in the Middle East and North Africa. Using panel data modelling, the study found that the impact of disclosure varies significantly across the three pillars. Social and governance disclosures were linked to better reputation and regulatory compliance, while environmental disclosure produced mixed results. The study concluded that a one-size-fits-all approach to ESG reporting does not work, and sector-specific refinements are necessary.

Taken together, these studies paint a mixed picture. Some find that social and governance disclosures matter for bank performance (Iyawe & Chijuka, 2025; Buallay, 2020), while others

show that environmental disclosure can be a drag on short-term returns (Alamsyah & Muljo, 2023) or that its effect disappears once other factors are controlled for. A few studies even suggest that the relationship is not linear, but U-shaped (Mateev, 2026). What is clear is that context matters a great deal. Yet nearly all of this evidence comes from large commercial banks, listed companies, or cross-country panels. None of it comes from the people who actually run microfinance banks in the Niger Delta, where floods, oil spills, and community distrust are everyday problems. No study has surveyed senior staff at an MFB in Bayelsa or Rivers to ask whether their ESG reporting (environmental, social, or governance) actually helps their bank stay afloat. That is the gap. This article is an attempt to fill it.

3. Methods

Research Design

A descriptive survey design was adopted for this study. This involved visiting MFBs, distributing questionnaires, and collecting data at a single point in time. While this approach cannot establish causation, it was practical given the constraints of time and available resources.

Population and Sample

According to the Central Bank of Nigeria (2024), there are approximately 99 licensed MFBs in the six South-South states. However, not all were accessible because some are located in very remote areas, while others have only two or three staff members. The article targeted MFBs that had been operating for at least three years and had a minimum of five senior staff.

A total of 370 questionnaires were distributed to senior staff across 85 accessible MFBs. After excluding incomplete or invalid responses, 200 usable questionnaires were retained, giving a usable response rate of 54%, which is considered acceptable for this kind of fieldwork.

Two hundred is not a very large sample, but it is sufficient for multiple regression with four or five predictors (Tabachnick & Fidell, 2019). A larger sample would, of course, have been preferable.

Questionnaire

A 25-item questionnaire was developed with five sections:

Section A: Demographics (state, job role, years in MFB).

Section B: Environmental Disclosure (5 items). Example: "Our bank reports on flood risk exposure of our loan portfolio."

Section C: Social Disclosure (7 items). Example: "We report the gender breakdown of our borrowers."

Section D: Governance Disclosure (6 items). Example: "We have a written whistleblower policy disclosed to staff."

Section E: Institutional Sustainability (7 items). Example: "Our bank has maintained positive return on assets for three consecutive years."

All items used a five-point scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

Validity and Reliability

Two senior colleagues in finance and one compliance officer from an MFB outside the sample were asked to review the questionnaire. They identified three confusing items, which were subsequently reworded.

For reliability, a pilot test was conducted with 30 staff from MFBs not included in the main sample. Cronbach's alphas were as follows: Environmental Disclosure $\alpha = 0.82$, Social Disclosure $\alpha = 0.88$, Governance Disclosure $\alpha = 0.68$ (acknowledged as slightly low, but retained because governance is inherently difficult to measure), and Institutional Sustainability $\alpha = 0.85$. Although the governance alpha falls below the ideal threshold of 0.70, Nunnally (1978) noted that 0.60 can be acceptable in exploratory research. This is acknowledged as a limitation of the article.

Model

Ordinary least squares (OLS) regression with robust standard errors (White, 1980) was estimated to address possible heteroskedasticity:

$$IS = \beta_0 + \beta_1(ENV) + \beta_2(SOC) + \beta_3(GOV) + \beta_4(SIZE) + \varepsilon$$

Where:

IS = Institutional Sustainability (average of 7 items)

ENV = Environmental Disclosure (average of 5 items)

SOC = Social Disclosure (average of 7 items)

GOV = Governance Disclosure (average of 6 items)

SIZE = Log of total assets

Multicollinearity was checked using variance inflation factors (VIFs). All were below 2.5, suggesting no major problem. SPSS version 27 was used for all analyses.

4. Findings

Profile of Survey Respondents

Table 1 shows the distribution of respondents across states and job roles. There was a reasonable spread across the six states. Most respondents were operations managers (25.5%) and compliance

officers (24.0%), with an average experience of 7.2 years (SD = 3.1). These were clearly not new hires.

Table 1: Respondent Distribution

State	Frequency	%	Job Role	Frequency	%
Akwa Ibom	34	17.0	Compliance Officer	48	24.0
Bayelsa	29	14.5	Operations Manager	51	25.5
Cross River	31	15.5	Internal Auditor	42	21.0
Delta	38	19.0	Senior Management	35	17.5
Edo	35	17.5	Other senior staff	24	12.0
Rivers	33	16.5			
Total	200	100	Total	200	100

ESG Disclosure Scores by State

Table 2 presents the means and standard deviations for ESG disclosure by state. Environmental disclosure was highest in Bayelsa (3.7) and Rivers (3.5), which is understandable given the flooding and oil-related challenges in those states. It was lowest in Edo (2.7) and Akwa Ibom (2.8). Social disclosure was fairly high across all states (overall mean 3.9). Governance disclosure was low across the board (overall mean 2.3), with many respondents indicating that their bank simply does not publish governance information. Figure 2 presents the same information in bar chart format.

Table 2: ESG Disclosure Scores by State

State	Environmental (mean/SD)	Social (mean/SD)	Governance (mean/SD)
Akwa Ibom	2.8 (0.9)	3.8 (0.7)	2.1 (0.8)
Bayelsa	3.7 (0.9)	4.1 (0.6)	2.4 (0.9)
Cross River	2.9 (1.0)	3.9 (0.8)	2.2 (0.8)
Delta	3.1 (0.8)	3.9 (0.7)	2.3 (0.9)
Edo	2.7 (0.9)	3.8 (0.8)	2.1 (0.7)
Rivers	3.5 (1.0)	4.0 (0.6)	2.5 (0.9)

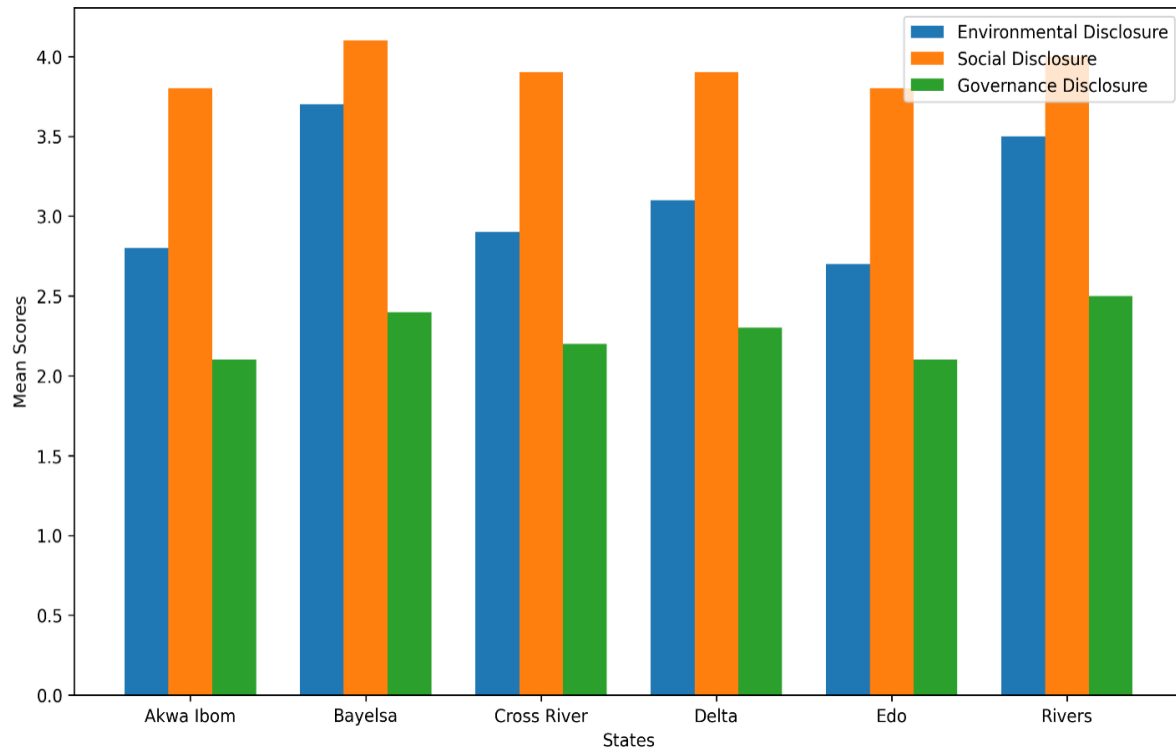


Figure 2: ESG Disclosure Scores by State

Correlations

Table 3 presents the Pearson correlations. All three ESG dimensions correlated positively with institutional sustainability. Social disclosure had the highest correlation ($r = 0.55$), followed by governance ($r = 0.48$), and then environmental disclosure ($r = 0.39$). Bank size also correlated positively but weakly with sustainability.

Table 3: Correlations

Variable	1	2	3	4	5
1. Institutional Sustainability	1.00				
2. Environmental Disclosure	0.39**	1.00			
3. Social Disclosure	0.55**	0.32**	1.00		
4. Governance Disclosure	0.48**	0.27**	0.38**	1.00	
5. Bank Size (log assets)	0.19*	0.16*	0.20*	0.30**	1.00

** $p < 0.01$, * $p < 0.05$ (two-tailed).

Regression Results

Table 4 presents the OLS regression results.

Table 4: Regression Results (Dependent Variable: Institutional Sustainability)

Predictor	Coefficient (β)	Robust SE	t	p-value	95% CI
Constant	1.85	0.35	5.29	<0.001	[1.16, 2.54]
Environmental Disclosure	0.15	0.10	1.50	0.135	[-0.05, 0.35]
Social Disclosure	0.44	0.12	3.67	<0.001	[0.20, 0.68]
Governance Disclosure	0.27	0.11	2.45	0.015	[0.05, 0.49]
Bank Size	0.08	0.07	1.14	0.256	[-0.06, 0.22]

$R^2 = 0.41$, Adjusted $R^2 = 0.39$, $F(4,195) = 33.8$, $p < 0.001$

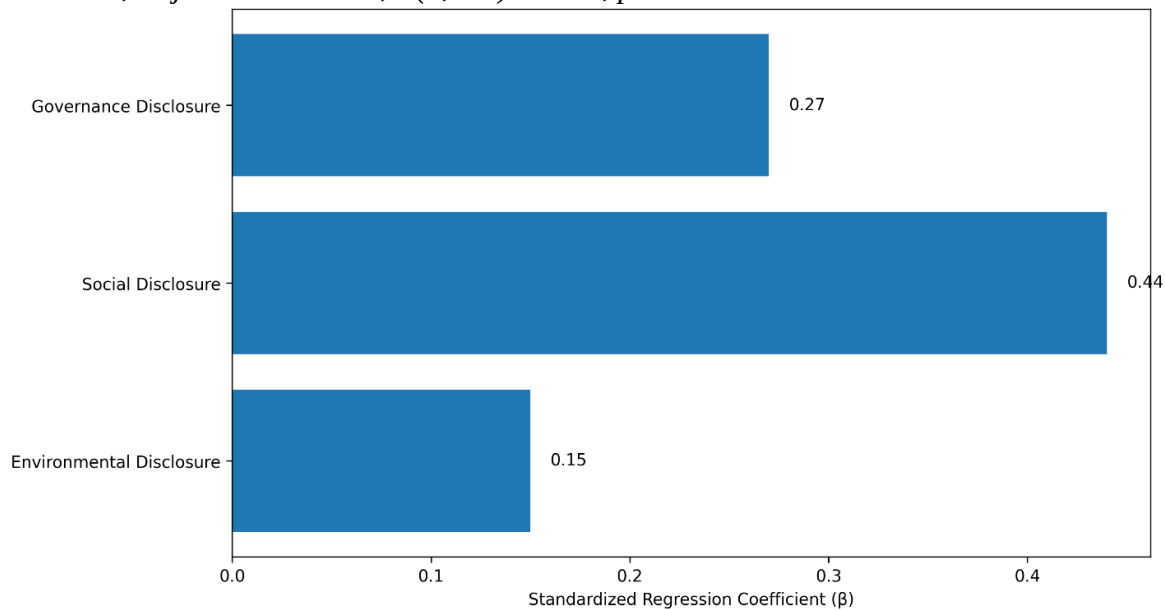


Figure 3: Standardized Regression Coefficients (β)

Interpretation of Table 4 and Figure 3:

Environmental Disclosure (H1): The coefficient is 0.15, with $p = 0.135$. This is not statistically significant at the conventional 0.05 level, and H1 is therefore not supported. This was somewhat surprising given that the bivariate correlation was significant. However, once social and governance disclosure were included in the model, the environmental effect became negligible. This may be because social disclosure captures some of the same variance, or perhaps environmental reporting is too rare and too reactive in most MFBs to meaningfully influence sustainability outcomes. This is explored further in the discussion section.

Social Disclosure (H2): The coefficient is 0.44 ($p < 0.001$), providing strong support for H2. MFBs that report more extensively on their social activities, lending to women, community programmes, etc, tend to have higher sustainability scores. This finding was consistent with observations made during fieldwork.

Governance Disclosure (H3): The coefficient is 0.27 ($p = 0.015$), providing support for H3, though the effect is smaller than that of social disclosure. Open-ended responses (discussed below) suggest that governance disclosure is rare and often superficial in practice.

Bank Size: Not significant, indicating that the ESG effects observed are not merely a reflection of larger banks having more resources to report.

The model explains 41% of the variance in institutional sustainability, which is considered reasonable for this type of study.

Open-Ended Responses

Space was provided at the end of the questionnaire for additional comments. Forty-seven respondents chose to write something. Their observations were candid and, in some cases, quite telling. A selection is presented below.

From a compliance officer in Delta, male, approximately 40 years old: "We only report flooding when CBN comes for examination. Otherwise, nobody asks. The board does not care about environment. They want to see loan recovery."

From an operations manager in Rivers, female: "Our social report is strong because our Dutch donor demands it every quarter. But governance? We don't even have an audit committee. The MD is the chairman. So we cannot report what does not exist."

From a senior manager in Bayelsa, male: "After the 2022 flood, half our borrowers disappeared. We did not report it because we were ashamed. Now we are trying to rebuild. ESG is for rich banks, not for us fighting to survive."

From an internal auditor in Akwa Ibom, female: "I have asked management to publish a whistleblower policy. They laughed at me. They said 'this is not America.' So governance disclosure will not happen here."

One respondent wrote in Pidgin: "Na so so questionnaire. No follow-up. We dey try our best but flood no dey read ESG report."

These responses suggest that social disclosure tends to occur when external donors push for it. Environmental disclosure is largely reactive. Governance disclosure is widely viewed as an imported concept with little local relevance. And for many MFBs, day-to-day survival remains the dominant priority.

5. Discussion

The expectation at the outset of this study was that all three ESG dimensions would matter for institutional sustainability. The results, however, tell a more nuanced story: only two dimensions were statistically significant, and one of them (social disclosure) was considerably stronger than the other.

Environmental disclosure did not predict sustainability once social disclosure was controlled for. The prominence of social disclosure is likely because MFBs in the Niger Delta are deeply embedded in the communities they serve. A bank that reports that it lent sixty percent of its funds to women, or that it supported a skills training programme for two hundred youths, gains real and tangible benefits, that is, borrower loyalty, depositor trust, goodwill from community leaders, etc. These translate into lower default rates and more deposits. Salia et al. (2018) arrived at a similar conclusion in the Tanzanian context.

The failure of environmental disclosure to reach statistical significance was unexpected, but the open-ended responses offer some explanation. Many MFBs only report on environmental issues when a regulatory examination is imminent. Environmental data are not gathered in any systematic way. As a result, the variation in environmental disclosure scores may not truly reflect differences in environmental risk management, it may simply reflect which banks happened to have had a recent inspection. Furthermore, environmental shocks such as flooding affect entire regions, regardless of which banks disclose well. Location and circumstance appear to matter more than disclosure in such contexts.

Governance disclosure did show a positive effect, though it was modest. The relatively low Cronbach's alpha (0.68) for governance raises the possibility that the measurement instrument did not fully capture the construct. Governance is difficult to assess through a short survey. A bank may have a board policy on paper but pay no attention to it in practice. One female respondent put it plainly: "We don't have time for that board report nonsense." The weak effect may therefore reflect a measurement problem as much as a substantive finding.

Bank size was not significant, which is an encouraging result. It means a small MFB with good social disclosure practices can perform as well, in sustainability terms, as a larger one. Size should not be used as an excuse for failing to report.

The R^2 of 0.41 is reasonable, but it also means that 59% of the variance in institutional sustainability is accounted for by other factors, likely loan portfolio quality, management competence, access to affordable capital, and the unpredictable effects of weather and external shocks.

6. Conclusion

This article examined the relationship between ESG disclosure and institutional sustainability among Microfinance Banks in South-South Nigeria, drawing on 200 survey responses and multiple regression analysis. The main findings are as follows:

Social disclosure matters most. MFBs that report on gender, community programmes, and borrower support tend to have higher sustainability scores. This is the clearest and most robust finding of the article.

Governance disclosure matters, though less than expected. The effect is positive but modest, and many MFBs simply have no governance practices worth disclosing.

Environmental disclosure did not show a statistically significant effect once social disclosure was included in the model. This is likely because environmental reporting in the sector is too rare and too reactive to drive sustainability outcomes.

The answer, therefore, is not a simple "ESG always helps." Social disclosure helps. Governance disclosure helps to a degree. Environmental disclosure, at least within this context and with the available data, does not show a clear and independent benefit.

Regulators and development partners should approach this carefully. Imposing a one-size-fits-all ESG template on small MFBs still recovering from floods could do more harm than good. A more effective approach would be to start with social disclosure (which MFBs are already capable of providing) and then gradually introduce environmental and governance metrics for those with sufficient capacity.

Recommendations

For the Central Bank of Nigeria: Mandating complex ESG reporting for all MFBs overnight is not advisable. A better approach is to start with a voluntary, simplified social disclosure template, learn from that experience, and then consider adding environmental reporting items for banks in flood-prone areas. Top-down regulation without capacity building will only lead to box-ticking.

For MFB Managers: A large budget is not required to begin tracking social metrics. Recording the number of women borrowers, documenting community projects, and displaying that information, even on a wall poster in the banking hall, can build meaningful community trust.

For Development Partners: Technical assistance is more valuable than reporting requirements alone. Many MFBs in Bayelsa and Rivers are genuinely struggling. A practical one-day workshop on how to track flood-related loan defaults would be far more useful than a fifty-page reporting template.

Limitations

Several limitations of this article must be honestly acknowledged.

First, the study is cross-sectional, all variables were measured at a single point in time. It is therefore not possible to establish that ESG disclosure causes better sustainability outcomes. The reverse could also be true: more sustainable MFBs may simply have the luxury of engaging in ESG reporting. A third variable, such as strong management quality, could also be driving both outcomes.

Second, the governance disclosure scale had low reliability (Cronbach's alpha 0.68), meaning the measurement of this construct was somewhat noisy. The true effect of governance disclosure may be larger or smaller than what was found here.

Third, the sample is drawn exclusively from the South-South. Generalisation to other parts of Nigeria or to other countries is not warranted. For instance, the North-Eastern part of Nigeria faces challenges like insurgency and desertification.

Fourth, self-reporting bias is a real concern. Respondents may have presented their bank's ESG practices more favourably than warranted. Anonymity was assured in an effort to reduce this risk, but it cannot be entirely eliminated.

Fifth, the sample of 200, while acceptable, is not large. A bigger sample would have yielded more precise estimates, particularly for the environmental disclosure coefficient, which was borderline.

Future research should consider a longitudinal design that tracks the same MFBs over two or three years. Qualitative case studies of individual MFBs could also shed light on why governance disclosure remains so rare and whether it produces any change in actual behaviour. Whether these findings hold in the North-East or South-West of Nigeria is also an open question.

REFERENCES

- Ahmed, I. E. (2025). ESG disclosure quality and banking risk: A dynamic panel analysis of Middle East and African banks. *Economies*, 13(3), Article 50.
- Alamsyah, S. A. L., & Muljo, H. H. (2023). The effect of ESG dimensions on banking performance: An empirical investigation in Asia Pacific. *E3S Web of Conferences*, 426, Article 02053. <https://doi.org/10.1051/e3sconf/202342602053>
- Alrashed, A. (2026). ESG disclosure and corporate financial performance: Panel cointegration evidence from S&P 500 firms. *Sustainability*, 18(10), Article 4676.
- Amirullah, A. (2022). The influence of ESG disclosure, leverage, and company size on financial performance at Bank KBMI 3 and 4. *International Journal of Social and Management Studies*, 3(2).
- Buallay, A. (2020). Sustainability disclosure and bank performance in the MENA region: Implications for separate ESG pillars. *Journal of Financial Reporting and Accounting*, 18(1), 198.
- Central Bank of Nigeria. (2012). *Implementation of sustainable banking principles by banks, discount houses and development finance institutions in Nigeria* (Circular No. FPR/DIR/CIR/GEN/01/030). <https://www.cbn.gov.ng/OUT/2012/CIRCULARS/FPR/Implementation%20of%20Sustainable%20Banking%20Principles.pdf>
- Central Bank of Nigeria. (2024). *List of licensed microfinance banks in Nigeria*. <https://www.cbn.gov.ng/supervision/Inst-MF.html>
- Ezeh, U. M., Marr, A., Sangwan, N., & Tasciotti, L. (2025). The effect of institutional social capital on sustainable performance of microfinance banks in Nigeria. *African Finance Journal*, 27(2), 15–40.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman Publishing.
- Iyawe, O., & Chijuka, I. M. (2025). ESG reporting and financial performance of deposit money banks in Nigeria: A contemporary analysis. *EuroEconomica*, 44(2), 51–63.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- Mateev, M. (2026). Connecting the ESG factors to banks' financial performance and sustainability: The need for strategic alignment. *Cogent Business & Management*, 13(1), Article 2645274.
- Nunnally, J. C. (1978). *Psychometric theory* (2nd ed.). McGraw-Hill.
- Odubo, T. R., & Onoja, A. J. (2022). Socio-economic and one health impacts of pollution-induced land dispossession in the Niger-Delta Region, Nigeria. *Core*. <https://core.ac.uk/outputs/701179692/>
- Oyegunle-Esimaje, C. (2024). *Environmental, Social and Governance (ESG) score and corporate financial performance: Evidence from the Nigerian market* [Preprint]. Preprints.org. <https://doi.org/10.20944/preprints202412.2128.v1>
- Salia, P. J., Nsiah, C., & Karikari, A. F. (2018). Social performance disclosure and loan repayment in Tanzanian microfinance banks. *African Journal of Economic and Management Studies*, 9(3), 321–337.
- Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3), 571–610.

- Tabachnick, B. G., & Fidell, L. S. (2019). *Using multivariate statistics* (7th ed.). Pearson.
- Tribune Online. (2023). Addressing climate change and related environmental issues in Nigeria. *Nigerian Tribune*. <https://tribuneonline.ng.com/addressing-climate-change-and-related-environmental-issues-in-nigeria/>
- UNEP FI. (2025). *Going further, faster with the UN Principles for Responsible Banking*. United Nations Environment Programme Finance Initiative. <https://www.unepfi.org/banking/more-about-the-principles/progress/going-further-faster-with-the-un-principles-for-responsible-banking/>
- White, H. (1980). A heteroskedasticity-consistent covariance matrix estimator and a direct test for heteroskedasticity. *Econometrica*, 48(4), 817–838.