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Assessment of Challenges for Implementing Environmental, Social and Governance (ESG) Finance into Sustainability Planning in Selected Commercial Banks in Lusaka

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ABSTRACT: The integration of Environmental, Social, and Governance (ESG) finance into sustainability planning has become increasingly important for financial institutions, particularly in developing economies where institutional and structural constraints persist. This study examines the challenges affecting ESG finance implementation within selected commercial banks in Zambia. The study was guided by three objectives: to identify ESG-related challenges, evaluate their effects on implementation, and propose strategies for enhancing ESG integration. The study adopted a positivist research philosophy and a quantitative, deductive approach. Primary data were collected using structured questionnaires from a sample of 109 bank employees in Lusaka, selected through purposive sampling. The data were analyzed using descriptive statistics, correlation analysis, and multiple regression techniques with the aid of statistical software. The findings reveal that environmental, social, and governance challenges constitute moderate to high barriers to ESG implementation, with social challenges emerging as the most significant. Correlation analysis shows statistically significant positive relationships between all ESG challenge dimensions and ESG implementation constraints. Furthermore, regression results indicate that governance challenges are the strongest and most significant predictor of ESG implementation, followed by social challenges, while environmental challenges are not statistically significant when controlling for other variables. The study concludes that ESG implementation in the banking sector is primarily influenced by institutional and structural factors, particularly governance quality and stakeholder-related pressures. It further identifies key strategies for enhancing ESG integration, including strengthening governance frameworks, investing in ESG-related technologies, improving data systems, and promoting staff training and capacity building. The study recommends that commercial banks prioritise governance reforms, continuous ESG training programmes, and data-driven decision-making systems to enhance sustainable finance practices.

KEYWORDS: ESG challenges, ESG finance, sustainability planning, banking sector, regression analysis.

1. INTRODUCTION

Environmental, Social, and Governance (ESG) practices have become increasingly central to sustainable development and the evolution of modern financial systems. ESG provides a structured framework for evaluating the long-term sustainability, ethical implications, and risk exposure associated with business activities and investment decisions. In response to rising environmental concerns, persistent social inequalities, and governance failures, financial institutions are progressively integrating ESG principles into their strategic and operational processes (Namunyola & Mwange, 2025). This shift reflects a growing recognition that ESG integration not only supports sustainable development but also enhances risk management, improves transparency, and contributes to long-term financial performance (UNPRI, 2023). Globally, ESG finance gained prominence following the United Nations report "Who Cares Wins," which emphasized the importance of incorporating environmental, social, and governance considerations into financial decision-making. Since then, initiatives such as the United Nations Principles for Responsible Investment (UNPRI) have accelerated ESG adoption across financial markets by promoting responsible investment practices and long-term value creation (UNPRI, 2023). In developed economies, the integration of ESG has been further strengthened by robust regulatory frameworks and mandatory sustainability reporting requirements, which have improved corporate accountability and disclosure standards. Empirical studies highlight that strong governance structures and effective regulatory enforcement mechanisms play a critical role in enhancing sustainability performance (Al-Shaer & Zaman, 2018; García-Sánchez et al., 2019;

Wachira et al., 2019). However, in developing regions, particularly in Sub-Saharan Africa, ESG adoption remains uneven due to weak institutional frameworks, limited technical capacity, inadequate financial resources, and inconsistent reporting practices (Tilt et al., 2020; Khan et al., 2023). In Zambia, efforts to promote ESG integration have gained momentum in recent years, particularly within the regulatory and institutional environment. The Lusaka Securities Exchange (LuSE) and the Securities and Exchange Commission of Zambia (SECZ) have introduced sustainability reporting guidelines aimed at improving corporate transparency (Chinyonga, 2024; EY Zambia, 2024). Additionally, the Bank of Zambia has emphasized the importance of ESG integration in strengthening financial system stability and enhancing the capacity of financial institutions to manage emerging risks. Despite these developments, the implementation of ESG finance within Zambia's banking sector remains relatively low and fragmented. While some commercial banks have initiated ESG-related activities, particularly in areas such as renewable energy financing, these efforts are often not fully integrated into core banking operations (Partnership, 2025). Furthermore, several challenges continue to hinder effective ESG implementation within the sector. These include limited awareness and understanding of ESG practices, inadequate financial and technological resources, weak governance structures, and resistance to organizational change (Namunyola & Mwange, 2025). Such constraints suggest that ESG integration in Zambia is not merely a matter of policy adoption, but also involves deeper institutional and structural issues. Although ESG finance is widely acknowledged as a critical tool for promoting sustainable financial planning and resilience, there remains limited empirical evidence on the specific challenges affecting its implementation within Zambia's banking sector. This study therefore examines the challenges influencing ESG finance integration in selected commercial banks in Lusaka, with the aim of providing evidence-based insights to support more effective ESG implementation and advance sustainable finance practices in Zambia.

1.2 Statement of the Problem

Despite the growing global emphasis on Environmental, Social, and Governance (ESG) finance, its integration into sustainability planning within Zambia's banking sector remains limited and inconsistent. While awareness of ESG principles has improved, implementation is still fragmented and at an early stage. Evidence indicates that although 40–60% of banks have adopted ESG-related policies at the board level, only 20–35% produce standalone ESG reports, and fewer (10–50%) integrate ESG considerations into core functions such as credit risk assessment and due diligence (KPMG, 2022; Namunyola & Mwange, 2025). In addition, only about 25–45% of banks provide formal ESG training, reflecting weak institutional capacity. In comparison, global banking institutions report ESG integration levels of 70–80%, while Sub-Saharan Africa records moderate adoption at approximately 37% (Lindner, 2025; Świerczyńska, 2017). In Zambia, ESG practices remain comparatively low, with firms listed on the Lusaka Securities Exchange (LuSE) showing inconsistent sustainability disclosures (Chinyonga & Mwanza, 2024). This gap highlights the structural and institutional constraints facing the sector. The core problem, therefore, is not a lack of ESG awareness, but the fragmented and inconsistent implementation of ESG practices, driven by environmental, social, and governance-related challenges. These constraints limit effective integration into sustainability planning, resulting in weak disclosure, limited transparency, and underdeveloped sustainable financial products. Furthermore, existing empirical studies have largely focused on ESG outcomes such as financial performance, with limited attention to implementation challenges, particularly within the banking sector (Mwenya, 2025; Girón et al., 2021). As a result, there is insufficient empirical evidence on how ESG-related challenges influence implementation in Zambia's banking context. This study therefore addresses this gap by examining the challenges affecting ESG finance integration in selected commercial banks in Lusaka, with the aim of providing evidence-based insights to support more effective and sustainable financial practices.

1.3 Research Objective (s)

- To identify the environmental, social, and governance challenges faced by the banking sector in implementing ESG finance in sustainability planning in Lusaka.
- To examine the effect of environmental, social, and governance challenges on ESG implementation in the banking sector.
- To propose potential strategies for overcoming the challenges of adopting sustainability planning in the banking sector.

1.4 Research Hypothesis

The study tests the relationship between ESG-related challenges and the implementation of ESG finance practices within commercial banks.

2. LITERATURE REVIEW

2.1 Theoretical framework

The integration of ESG finance within the banking sector can be explained using multiple theoretical perspectives, particularly Institutional Theory and the Resource-Based View (RBV). These theories provide complementary insights into the external pressures and internal capabilities that influence ESG adoption and implementation.

2.1.1 Institutional Theory

Institutional Theory, developed by John W. Meyer and Brian Rowan (1977) and further advanced by Paul DiMaggio and Walter W. Powell (1983), explains that organizational practices are shaped by external pressures such as regulatory requirements, social norms, and industry standards. Organizations often adopt structures and policies not solely for efficiency, but to gain legitimacy and align with widely accepted practices. In the context of ESG finance, banks are influenced by coercive pressures (regulations), normative pressures (professional standards), and mimetic pressures (imitation of industry peers). These forces drive the adoption of ESG practices as institutions seek legitimacy and alignment with global sustainability expectations. This theory is particularly relevant in explaining governance-related challenges and the role of regulatory and institutional environments in shaping ESG implementation.

2.1.1 Resource-Based View (RBV)

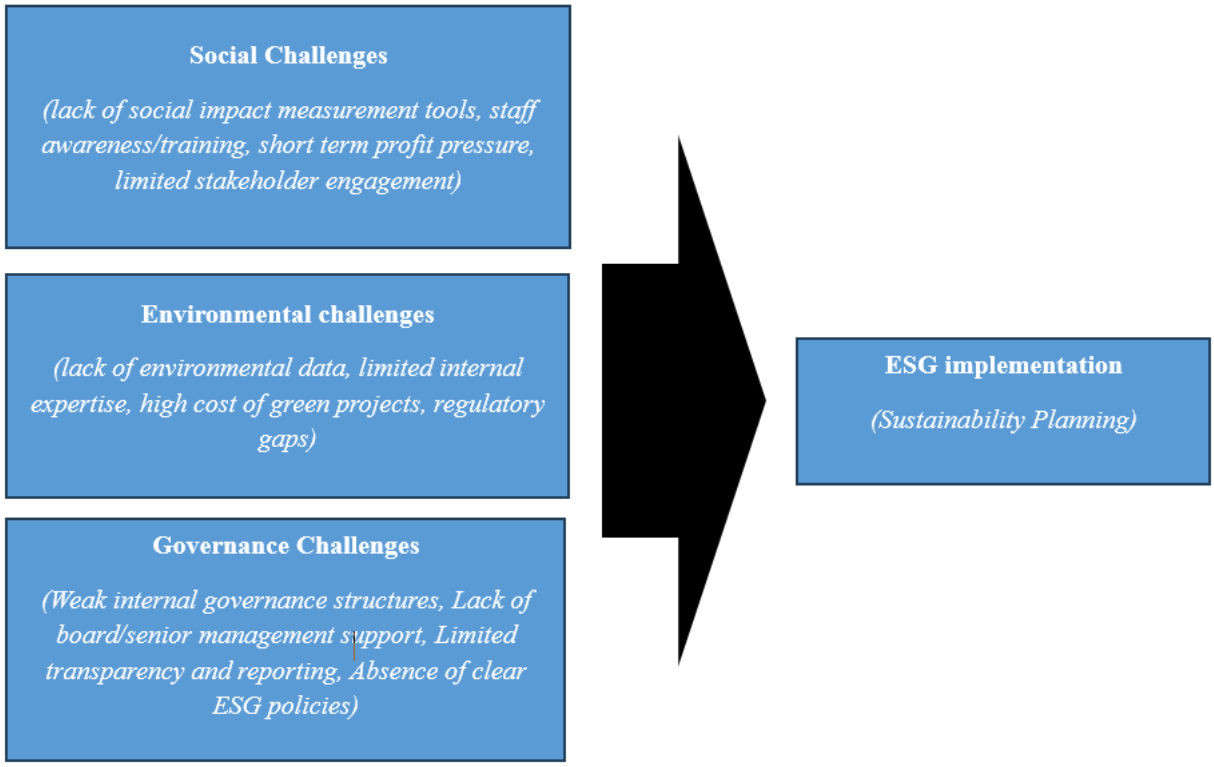
The Resource-Based View (RBV), introduced by Birger Wernerfelt (1984) and expanded by Jay Barney (1991), emphasizes that a firm's performance and competitive advantage depend on its internal resources and capabilities. According to RBV, organizations achieve sustained success when they possess valuable, rare, inimitable, and non-substitutable (VRIN) resources. Applied to ESG finance, RBV highlights that effective implementation depends on internal capacities such as technical expertise, financial resources, data systems, and skilled personnel. In contexts where these resources are limited, such as in developing economies, organizations face significant barriers to ESG integration. This theory is therefore useful in explaining environmental and social challenges, particularly those related to capacity constraints, skills gaps, and resource limitations within the banking sector.

2.2 Empirical Review

Empirical literature on Environmental, Social, and Governance (ESG) finance highlights its growing importance in enhancing sustainability and financial performance across different economic contexts. In developed economies, ESG finance is well established, supported by strong regulatory frameworks, advanced institutional capacity, and high stakeholder awareness. Financial institutions integrate ESG considerations into lending, investment, and risk management processes, driven by regulatory requirements and market expectations (European Commission, 2021; Krueger et al., 2020). Empirical evidence shows that such integration improves risk-adjusted returns and institutional resilience, although challenges such as data inconsistencies and greenwashing persist (Friede et al., 2015; Amel-Zadeh & Serafeim, 2018). In contrast, ESG adoption in developing economies remains uneven and at an early stage, constrained by weak regulatory systems, limited institutional capacity, and competing development priorities. ESG practices are largely voluntary and often influenced by external pressures from international investors and development institutions (UNDP, 2021). Banks in these contexts face challenges including limited ESG data, inadequate technical expertise, and weak reporting systems, resulting in fragmented implementation (Buallay, 2019). Although some progress is evident, particularly in Sub-Saharan Africa, ESG integration remains largely compliance-driven rather than strategically embedded (World Bank, 2020; IFC, 2022). Within sustainability planning, ESG finance plays a key role in aligning financial decision-making with long-term development objectives. However, in countries such as Zambia, implementation remains limited due to regulatory and institutional constraints. Evidence suggests that ESG adoption is often driven by external pressures, including parent company influence and global sustainability expectations, rather than strong domestic frameworks (Casius, 2024). Across global and regional studies, ESG practices are generally associated with improved financial performance and reputational outcomes (Girón et al., 2021; Masila et al., 2024). However, the literature is heavily focused on performance outcomes, with limited attention to the practical challenges affecting implementation. In Zambia, existing studies indicate growing awareness of sustainability practices but highlight weak reporting quality and limited sector-specific research, particularly within the banking industry (Chinyonga & Mwanza, 2024). Overall, the literature reveals a clear gap in understanding the environmental, social, and governance challenges that influence ESG implementation, especially in developing economies. Most studies rely on quantitative approaches and secondary data, providing limited insight into institutional and operational dynamics. This study addresses this gap by examining the challenges affecting ESG finance implementation within Zambia's banking sector.

2.3 Conceptual Framework

The conceptual framework examines the relationship between environmental, social, and governance (ESG) challenges and ESG implementation outcomes in sustainability planning within commercial banks in Zambia. ESG implementation is treated as the dependent variable, reflecting the extent to which these challenges influence the adoption and integration of ESG practices. The framework identifies environmental, social, and governance challenges as key independent variables, representing critical barriers such as data limitations, capacity gaps, weak governance structures, and regulatory constraints. These variables are informed by existing literature and are operationalized through quantitative measures to assess their impact on ESG implementation. Grounded in Institutional Theory and the Resource-Based View, the framework highlights how both external pressures and internal capabilities shape ESG outcomes, while acknowledging supportive strategies such as training, technological investment, and governance strengthening.



3. METHODOLOGY

3.1 Research Approach and Design

This study adopted a quantitative, deductive research approach to examine the relationship between ESG-related challenges and ESG implementation in the banking sector. A combined descriptive and explanatory research design was used, allowing the study to both identify key ESG challenges and assess their effect on sustainability planning outcomes. Data were collected through structured questionnaires to ensure consistency and standardization across respondents. The quantitative approach enabled the use of descriptive statistics and inferential analysis to examine relationships between variables. Overall, the design aligns with the positivist research philosophy by supporting objective measurement, systematic analysis, and generalisable conclusions.

3.2 Study Area and Population

This study was conducted in Lusaka, Zambia, focusing on selected commercial bank branches within the city. Lusaka, as the country's main financial and administrative hub, hosts the headquarters of most commercial banks and key financial institutions, making it a suitable setting for examining ESG finance integration and sustainability planning. The choice of Lusaka was further supported by its accessibility, the concentration of skilled banking professionals, and the presence of institutions actively engaged in ESG-related initiatives (Chinyonga & Mwanza, 2024). Although the study is limited to a single geographic area, this approach allows for an in-depth contextual analysis, with findings that can be analytically generalised to similar urban banking environments (Creswell & Creswell, 2018; Yin, 2018). The target population comprised 150 employees drawn from selected commercial banks in Lusaka. These participants were considered appropriate due to their direct involvement in banking operations and their potential knowledge of ESG finance practices and sustainability planning. The population included staff from diverse functional areas, such as finance, management, ESG or sustainability units, and compliance departments, ensuring a comprehensive perspective on ESG

implementation. This population size was considered adequate for quantitative analysis, as it provides sufficient representation and variability for statistical examination (Hair et al., 2019).

3.3 Sample Size Determination and Sampling Technique

The sample size for this study was determined using the Taro Yamane (1967) formula for finite populations, based on a target population of 150 employees and a 5% margin of error. The calculation yielded a sample size of 109 respondents, which was considered adequate for statistical analysis and representation of the study population. The sample was proportionally distributed across selected commercial banks in Lusaka to ensure balanced representation and enhance the reliability of the findings.

The formula is expressed as:

$$n = \frac{N}{1 + N(e)^2} = \frac{150}{1 + 150(0.0025)} = \frac{150}{1.375} = 109$$

Purposive sampling was employed to select participants with relevant knowledge and experience in ESG practices and sustainability planning. This technique allowed the study to target key informants, including personnel from management, finance, compliance, and ESG-related functions, who are directly involved in sustainability initiatives. By focusing on knowledgeable respondents, purposive sampling ensured the collection of relevant and high-quality data aligned with the study objectives (Saunders et al., 2019). Although this approach may limit generalisability, it is appropriate for studies requiring specialized insight and enhances the validity of findings within the research context.

3.4 Data Collection, Procedure, and Analysis

Primary data for this study were collected using structured questionnaires administered to employees in selected commercial banks in Lusaka. The questionnaire consisted of closed-ended items measured on a Likert scale to capture respondents' perceptions of ESG challenges, their impact on ESG implementation, and potential improvement strategies. The structured format ensured consistency, ease of administration, and suitability for quantitative analysis.

Data collection was conducted through both physical and electronic distribution of questionnaires to enhance accessibility and improve response rates. Respondents were provided with clear instructions and adequate time to complete the instrument, ensuring accuracy and reliability of responses. Prior to the main study, the instrument was pilot tested to identify and correct ambiguities, thereby improving its validity and reliability.

Collected data were screened, coded, and analysed using the Statistical Package for the Social Sciences (SPSS). Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarise the data and assess the prevalence of ESG challenges. Inferential techniques, including correlation analysis and chi-square tests, were employed to examine relationships between variables and test the study hypotheses, with statistical significance set at $p < 0.05$. This approach enabled a comprehensive analysis of the effect of ESG challenges on ESG implementation within the banking sector.

4. FINDINGS & DISCUSSION

4. 1 FINDINGS

4.1. 1 Demographic Characteristics of Respondents

The demographic profile of respondents indicates a well-balanced and relevant sample for the study. Out of 109 participants, 53.2% were male and 46.8% were female, reflecting near gender parity and minimizing potential bias. In terms of experience, the majority (57.8%) had between 1 and 6 years in the banking sector, while a significant proportion (34.9%) had over 7 years, ensuring a blend of early-career and experienced perspectives. Regarding ESG involvement, 43.1% of respondents were directly involved in ESG activities and 33.9% were partially involved, meaning that 77.0% had some level of engagement with ESG practices. Overall, this distribution demonstrates that the study drew on a diverse, experienced, and knowledgeable group of professionals, thereby enhancing the credibility and reliability of the findings.

4. 1.2 Challenges Faced in Implementing ESG Finance

The findings reveal that Environmental, Social, and Governance (ESG) challenges collectively pose significant constraints to the effective implementation of ESG finance within commercial banks. Overall, all three dimensions recorded mean scores within the moderate-to-high range, indicating that ESG-related barriers are widely perceived as substantial obstacles to sustainability planning. Among the three dimensions, social challenges emerged as the most pronounced (M = 3.5436, SD = 0.73349), followed by environmental challenges (M = 3.4450, SD = 0.73862), while governance challenges, though slightly lower, remained notable (M = 3.3922, SD = 0.86158). Environmental challenges were identified as a major constraint, with respondents highlighting issues such as limited environmental data availability, regulatory gaps, and difficulties in financing environmentally sustainable projects.

The concentration of responses in the upper-middle range of the scale suggests a strong consensus that environmental factors significantly hinder ESG integration. Similarly, social challenges were found to be the most critical barrier, reflecting concerns related to limited stakeholder engagement, inadequate social impact measurement tools, insufficient staff awareness, and the pressure to prioritize short-term financial performance over social responsibility. The strong clustering of responses around higher values indicates that these issues are widely experienced across the sector. Governance challenges, although slightly less pronounced, still represent an important barrier to ESG implementation. Key concerns include weak internal governance structures, limited management support, absence of clear ESG policies, and inadequate transparency and reporting mechanisms. The relatively higher variation in responses suggests differences in governance maturity across institutions, with some banks more advanced than others in integrating ESG oversight into their operations. Overall, the results demonstrate that ESG implementation within the banking sector is constrained by a combination of environmental, social, and governance-related factors, with social challenges being the most significant. These findings underscore the need for improved regulatory frameworks, enhanced institutional capacity, stronger governance structures, and increased stakeholder engagement to support the effective integration of ESG finance into sustainability planning.

4. 1.3 Effect of ESG Challenges on ESG Implementation

The study examined the effect of Environmental, Social, and Governance (ESG) challenges on ESG implementation using correlation and multiple regression analysis. The correlation results revealed statistically significant positive relationships between ESG implementation and all three challenge dimensions. Governance challenges showed the strongest association ($r = 0.575$, $p < 0.01$), followed by environmental challenges ($r = 0.558$, $p < 0.01$) and social challenges ($r = 0.484$, $p < 0.01$). These findings indicate that as ESG-related challenges increase, their influence on ESG implementation becomes more pronounced, suggesting that such challenges play a meaningful role in shaping sustainability outcomes within banks.

Regression Coefficients for ESG Challenges Predicting ESG Implementation

		ESG	Environmental Challenges	Social Challenges	Governance Challenges
ESG	Pearson Correlation	1	.558**	.484**	.575**
	Sig. (2-tailed)		.000	.000	.000
	N	109	109	109	109
Environmental Challenges	Pearson Correlation	.558**	1	.613**	.749**
	Sig. (2-tailed)	.000		.000	.000
	N	109	109	109	109
Social Challenges	Pearson Correlation	.484**	.613**	1	.490**
	Sig. (2-tailed)	.000	.000		.000
	N	109	109	109	109
Governance Challenges	Pearson Correlation	.575**	.749**	.490**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	109	109	109	109

**. Correlation is significant at the 0.01 level (2-tailed).

The regression model further confirmed this relationship. The model explained approximately 39.5% of the variation in ESG implementation ($R^2 = 0.395$), indicating moderate explanatory power. The overall model was statistically significant ($F = 22.872$, $p < 0.001$), demonstrating that environmental, social, and governance challenges collectively have a significant effect on ESG implementation. Based on these results, the null hypothesis was rejected, confirming that ESG challenges significantly influence ESG implementation in the banking sector.

Model Summary for Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change

1	.629[a]	.395	.378	.34948	.395	22.872	3	105	.000

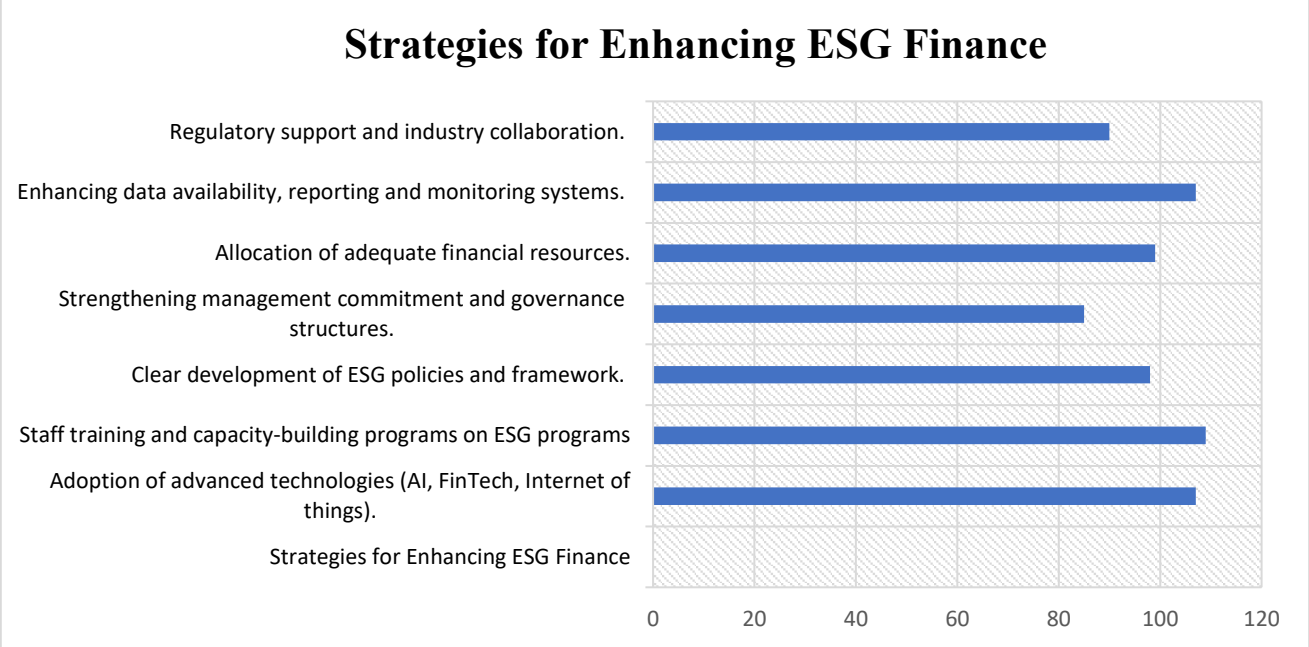
a. Predictors: (Constant), Governance Challenges, Social Challenges, Environmental Challenges

Source: *Author computation from SPSS (2026)*

At the individual level, governance challenges emerged as the strongest predictor of ESG implementation (β = 0.344, p = 0.003), indicating that weaknesses in governance structures, leadership support, and reporting systems have the greatest impact on ESG outcomes. Social challenges also showed a significant positive effect (β = 0.211, p = 0.031), suggesting that factors such as limited stakeholder engagement, inadequate social awareness, and pressure for short-term performance significantly influence implementation. In contrast, environmental challenges, although positively related, were not statistically significant (p = 0.181), implying that their influence is less direct when other factors are controlled for. Overall, the findings suggest that ESG implementation within commercial banks is primarily driven by governance and social factors, with governance challenges exerting the most substantial influence. This highlights the importance of strengthening internal governance frameworks, enhancing leadership commitment, and improving stakeholder engagement to support effective ESG integration.

4. 1.4 Strategies for Enhancing ESG Finance Implementation

The findings indicate that internal capacity development and technological advancement are the most critical strategies for enhancing ESG finance implementation within commercial banks. Staff training and capacity-building programs received unanimous support (100%), highlighting the importance of strengthening institutional knowledge and expertise. Similarly, the adoption of advanced technologies and improved data availability and reporting systems were highly prioritized (98.2%), reflecting the need for data-driven ESG practices. Other important strategies included the allocation of financial resources (90.8%) and the development of clear ESG policies (89.9%), while regulatory support and governance improvements, though still significant, were ranked slightly lower. Overall, the results suggest that banks place greater emphasis on operational and technical solutions as key drivers of effective ESG integration.



Frequency Distribution of Strategies for Enhancing ESG Finance.

4.2 DISCUSSION OF FINDINGS.

4.2.1Challenges Affecting ESG Implementation.

The findings indicate that Environmental, Social, and Governance (ESG) challenges collectively constrain effective ESG implementation within commercial banks, with social challenges emerging as the most significant barrier. This reflects the difficulty institutions face in measuring social impact, managing stakeholder expectations, and embedding socially responsible practices, particularly where social indicators are qualitative and less standardized (Eccles et al., 2014; OECD, 2020). Environmental challenges were also found to be moderately high, largely due to limited data availability, technical capacity constraints, and evolving regulatory frameworks, which hinder the integration of environmental risk into banking operations (UNEP, 2016; World Bank,

2020). Although governance challenges recorded slightly lower mean scores, they were identified as the strongest predictor of ESG implementation, highlighting the central role of leadership commitment, policy frameworks, and accountability mechanisms in driving sustainability outcomes (Eccles et al., 2014). Overall, the findings suggest that ESG challenges are interconnected, reinforcing the argument that effective ESG implementation requires alignment across institutional structures and practices (Scott, 2008).

4.2.2 Effect of ESG Challenges on ESG Implementation.

The findings demonstrate that ESG challenges have a statistically significant effect on ESG implementation within commercial banks, although the magnitude and nature of this influence vary across dimensions. While correlation results confirm that environmental, social, and governance challenges are all associated with ESG implementation, regression analysis provides deeper insight by showing that only governance and social challenges exert a significant predictive effect. The strong influence of governance challenges underscores the centrality of institutional structures such as board oversight, policy clarity, and transparency systems in embedding ESG practices into core operations, consistent with prior evidence that effective governance frameworks are critical for sustainability performance (Berg et al., 2022; OECD, 2023). Similarly, the significance of social challenges highlights the role of stakeholder engagement, internal awareness, and social impact measurement in shaping ESG outcomes, aligning with studies that emphasize stakeholder pressure as a key driver of ESG responsiveness (Amel-Zadeh & Serafeim, 2018; World Economic Forum, 2023). In contrast, environmental challenges, although positively related to ESG implementation, do not independently predict outcomes when other factors are controlled for, suggesting that their impact is largely mediated by governance capacity and institutional support (NGFS, 2023; World Bank, 2022). Overall, the results indicate that ESG implementation is not purely a technical process but an institutionally driven one, where governance structures and stakeholder dynamics play a more immediate and decisive role than environmental considerations alone (Scott, 2008).

4.2.3 Strategies for Enhancing ESG Finance Implementation.

The findings show that improving ESG finance implementation in commercial banks requires strengthening institutional capacity rather than focusing only on compliance. Staff training and capacity building emerged as the most important strategy, highlighting the need for skills in ESG risk assessment, reporting, and decision-making (Eccles et al., 2014; OECD, 2020; Scott, 2008). Technological adoption and improved data systems were also critical, as effective ESG integration depends on reliable data, monitoring, and reporting infrastructure (UNEP, 2019; World Bank, 2021). In addition, strengthening governance commitment remains essential, as leadership support drives policy direction, accountability, and resource allocation (Freeman, 1984; DiMaggio & Powell, 1983). Overall, ESG implementation is best viewed as a coordinated institutional transformation requiring investment in skills, systems, and governance structures.

5. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

The study concludes that the implementation of Environmental, Social, and Governance (ESG) finance in sustainability planning within the banking sector is significantly constrained by interrelated environmental, social, and governance challenges. While all three dimensions were found to pose moderate to high barriers, social challenges emerged as the most prominent, followed by environmental and governance constraints, with governance playing a structurally critical role. Empirical results confirmed that ESG challenges collectively have a significant effect on ESG implementation, with governance and social factors acting as key predictors, while environmental challenges exert an indirect influence dependent on institutional capacity. The findings further highlight that effective ESG integration is not merely a technical process but is shaped by organizational structures, stakeholder dynamics, and leadership commitment. To address these challenges, the study identifies capacity building, technological advancement, improved data systems, and strengthened governance frameworks as essential strategies. Overall, the study demonstrates that successful ESG implementation requires a coordinated institutional transformation that aligns human capital, governance systems, and technological capabilities within the banking sector.

5.2 Recommendations.

The study recommends that commercial banks prioritize strengthening governance structures, as governance challenges were identified as the most significant predictor of ESG implementation. This includes establishing board-level ESG oversight, embedding ESG objectives into corporate strategy, and improving accountability and reporting frameworks. In addition, banks should invest in continuous staff training and capacity building to address knowledge gaps and enhance the consistent application of ESG principles across operations. Strengthening data systems and adopting advanced technologies are also critical to support accurate ESG

reporting, risk assessment, and decision-making. Furthermore, banks should integrate environmental risk assessment into core financial processes, even though its influence is largely dependent on institutional capacity. Finally, enhancing stakeholder engagement and regulatory collaboration will help improve alignment with ESG standards and foster a more supportive environment for sustainable finance practices.

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