BANK OF INDUSTRY
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SECOND EDITION

2026 State of ESG Adoption by Nigerian MSMEs

A Bank of Industry Publication reviewed by the Lagos Business School Sustainability Centre

November 2026

LBS Sustainability Centre

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FOREWORD

A year ago, the Bank of Industry published the first national evidence on how Nigerian Micro, Small and Medium Enterprises (MSMEs) understand and apply Environmental, Social and Governance (ESG) principles. Its message was clear: awareness was rising, but funding, technical capacity and incentives stood between MSMEs and meaningful sustainability practice. We are committed to tracking progress every year.

Since then, the policy landscape has moved decisively. In February 2026 the Financial Reporting Council (FRC) of Nigeria issued an amended roadmap for IFRS-aligned sustainability reporting, with mandatory reporting from 2028 for public interest entities and from 2030 for SMEs. Nigeria has also approved a National Carbon Market Framework and submitted an ambitious third Nationally Determined Contribution (NDC 3.0). MSMEs that start measuring and reporting their sustainability performance now will be better placed to meet these requirements, respond to lenders and customers, access Sustainable Finance and unlock new markets.

This second edition keeps our commitment and goes further. Responses were received from 530 MSMEs across all six geopolitical zones, two-thirds more than in 2025, and, for the first time, from 13 financial institutions comprising commercial banks, a microfinance bank and a development finance institution. The report therefore looks at both sides of the market: what MSMEs are doing and need, and what lenders are offering.

It also introduces the MSME ESG Maturity Index, answering the 2025 call for a national measure of adoption. This year sets the baseline against which future progress will be judged. In doing so, it supports Nigeria's NDC 3.0 commitment to cut greenhouse gas emissions by 32% by 2035 and to reach net zero by 2060, goals that cannot be met without the millions of MSMEs at the heart of our economy.

The findings are sobering and encouraging in equal measure. Most MSMEs are still at the early stages of their ESG journey, and very few measure or report what they do. Yet enterprises that took part in last year's assessment are markedly more mature today, and demand for training, finance and reporting support is almost universal. Most strikingly, eleven of the thirteen lenders surveyed already offer green products for MSMEs, while fewer than two in every hundred MSMEs say they have accessed Green Finance.

Closing that gap is the task for the year ahead, and the Bank of Industry will lead by example. We will use these findings to shape our MSME products, extend our capacity-building work across all six geopolitical zones, and work with partner institutions so that Green Finance reaches the enterprises that need it most.

We will continue to conduct this assessment every year, so that the Maturity Index can show whether we are moving the needle together. I thank the 530 enterprises and 13 financial institutions that took part, BOI Climate & Sustainability Champions, BOI Research Group, and Lagos Business School Sustainability Centre for making this edition possible. Responsible business is good business, and Nigeria's MSMEs are ready to prove it. We remain committed to walking every step of that journey with them.

Dr. Olasupo Olusi
Managing Director/Chief Executive Officer
Bank of Industry (BOI)
Lagos, Nigeria

ABOUT THIS EDITION

The 2026 State of ESG Adoption by Nigerian MSMEs is the second edition of the Bank of Industry's annual assessment of how micro, small and medium enterprises understand, adopt and integrate environmental, social and governance (ESG) practices. Building on the 2025 edition, this report broadens the evidence base and establishes a national baseline for tracking ESG maturity over time. This report was prepared by the sustainability and research departments of the Bank of Industry with support from the Lagos Business School Sustainability Centre.

WHAT THIS EDITION COVERS

The assessment combines an online survey of 530 MSMEs across Nigeria's six geopolitical zones, conducted from 21 August to 19 September 2026, with a first supply-side survey of 13 financial institutions conducted from 18 August to 4 September 2026. The lender sample comprises 11 commercial banks, one microfinance bank and one wholesale development finance institution.
The report examines ESG awareness and capability; environmental practices and climate risk; social performance; governance, strategy and materiality; disclosure readiness; the MSME ESG Maturity Index; and the gap between MSMEs' demand for Green Finance and the products available from lenders. It concludes with policy implications and recommendations for the 2027 ESG Action Framework.

HOW TO READ THE NUMBERS

Figures are generally presented as the share of respondents who answered each question; the relevant base may therefore vary by question. Multiple-response questions allow respondents to select more than one option, so percentages may sum to more than 100%. Financial institution findings are generally reported as counts because the lender sample is small. Results for subgroups with fewer than 30 respondents should be treated as indicative.
The MSME ESG Maturity Index is built from 29 scored items across six dimensions. Each item is scored on a 0–3 scale, and the six-dimension scores are equally weighted to produce the overall score. The Index classifies enterprises as Nascent, Emerging, Developing or Leading. This edition establishes the Year-0 baseline for future annual comparisons.

DATA SOURCES AND LIMITATIONS

The findings are based on respondent-level data from the 2026 BOI ESG Adoption Survey and the accompanying financial-institution survey, analysed by the BOI Research Group. The sample was drawn mainly from BOI's customer network, participation was voluntary, and responses were not weighted. It is therefore not statistically representative of all Nigerian MSMEs; the findings best describe formal, finance-connected enterprises. Percentages and subgroup comparisons should be interpreted in light of these limitations.

SUGGESTED CITATION

Bank of Industry Environmental & Sustainability Division (2026). 2026 State of ESG Adoption by Nigerian MSMEs. Second Edition. Lagos: Bank of Industry.

This report is provided for information and policy-development purposes. Survey findings reflect the respondents and methodology described in the report and should be read with the stated limitations.

ABOUT US

The Bank of Industry (BOI) is Nigeria's leading development finance institution, committed to driving industrialisation, economic diversification and inclusive growth. Through financing, capacity building and business support, BOI facilitates investment across priority sectors. Within BOI, the Strategy, Policy and Research Division (SPRD) supports strategic planning, policy development and economic research. Its Research Group produces evidence-based studies and policy insights to strengthen institutional decision-making, policy engagement and investment planning.

Environmental, Social and Governance (ESG) in BOI

The Bank's Environmental, Social and Governance (ESG) activities support responsible financing by embedding ESG risk considerations in credit and investment appraisal and monitoring. It helps identify and manage environmental and social risks associated with the Bank's activities and the projects it finances, promotes alignment with relevant local requirements and international standards, and encourages projects that contribute to sustainable and inclusive industrial development. This work is guided by BOI's ESG Policy and ESG Risk Management Framework and complements the Bank's wider sustainability and Climate Finance agenda.

OBJECTIVES OF THE REPORT

- Assess ESG awareness, adoption and integration among Nigerian MSMEs.
- Establish a baseline MSME ESG Maturity Index across environmental, social, governance, disclosure and carbon-readiness areas.
- Examine reporting readiness, carbon-market awareness, financing gaps, barriers and technical-assistance needs.
- Track changes since 2025 and provide evidence to inform BOI finance, capacity-building and policy interventions.

TARGET USERS

- BOI leadership and operational teams designing MSME finance, ESG support and capacity-building programmes.
- Government ministries, regulators and development agencies shaping MSME, industrial, climate and sustainability policy.
- Banks, microfinance institutions, development finance institutions and Sustainable Finance providers.
- MSMEs, business associations, researchers, development partners and practitioners supporting responsible business growth.

COVERAGE

- The report covers 530 MSMEs across all six geopolitical zones and 12 sectors, alongside responses from 13 financial institutions.
- Chapters cover respondent profiles; ESG awareness; environmental and climate performance; social performance; governance and materiality; reporting readiness; the Maturity Index; Green Finance; ecosystem collaboration; and recommendations.
- Technical notes, a glossary, statistical tables and a policy and regulatory timeline are provided in the appendices.

SOURCES AND LIMITATIONS

- Analysis draws on the 2026 BOI ESG Adoption Survey, the financial-institution survey, respondent-level data and relevant policy and regulatory materials cited in the report.
- The MSME sample was drawn mainly from BOI's customer network, participation was voluntary and results were not weighted. The findings are not statistically representative of all Nigerian MSMEs.
- Lender findings are based on 13 institutions; subgroup results with small bases are indicative. Question-specific bases and methodological notes should be consulted when interpreting percentages.

CONTRIBUTORS

BANK OF INDUSTRY

Eniola Akinsete
Chief Sustainability Officer

Prof. Mutiu Oyinlola
Chief Economist

Prof. Oluwatosin A. Adeniyi
Researcher, Strategy, Policy & Research Division

Dr. Musefiu Adeleke
Researcher, Strategy, Policy & Research Division

Dr. Terver T. Kumeka
Researcher, Strategy, Policy & Research Division

Olawunmi Ajayi
Climate & Sustainability Champion

Olusegun Odede
Climate & Sustainability Champion

Ademola Ogundeyi
Climate & Sustainability Champion

Omotoyosi Amuda
Survey design and stakeholder engagement

LAGOS BUSINESS SCHOOL SUSTAINABILITY CENTRE

Orevaoghene I. Atanya
Director, LBS Sustainability Centre

Theresa Daniel-Akibor
Manager, Programme Design and Management

Abam Inyang
Manager, Partner Engagement and Communications

Dr. Kelechi Nnamdi
Senior Associate, Industry Services and Research

Anthony Tuedon
Associate, Industry Services and Research

Blessing Oduniyi
Associate, Partner Engagement and Communications

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The report was written by the BOI Climate & Sustainability Champions, who designed and implemented the survey, coordinated stakeholder engagement and analysed the findings, with support from Omotoyosi Amuda on survey design and stakeholder engagement. The work was supervised by Eniola Akinsete, who also led the development of the 2025 edition and the MSME ESG Maturity Index.

The BOI Research Group reviewed the survey responses and refined the report. The LBSSC team provided technical input and review that strengthened the report.

The team is grateful to Dr. Olasupo Olusi, Managing Director/Chief Executive Officer of BOI, for his leadership and endorsement of this second edition, and for his commitment to evidence-based sustainability and MSME development. The team also thanks Mr. Rotimi Akinde, Executive Director, Corporate Finance, Sustainability and Investment, for his direction and support.

Dr. Olasupo Olusi
Managing Director/Chief Executive Officer,
Bank of Industry

Mr. Rotimi Akinde
Executive Director, Corporate Finance,
Sustainability and Investment, Bank of Industry

SURVEY PARTICIPANTS AND OUTREACH

Special thanks go to the 530 MSMEs that took part in the survey, and to the 13 financial institutions that responded as members of the Nigerian Financial Institutions Sustainability Champions.

The team is also grateful to colleagues across BOI's 36 State Offices and MSME & LE Coordinating Offices, who supported outreach and encouraged participation.

PRODUCTION, DESIGN & EDITING

Babajide Sipe
Ag. Divisional Head, Public Relations
Bank of Industry

For questions about this report, please contact **sustainabilitydivision@boi.ng**

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ABBREVIATIONS AND ACRONYMS

Abbreviation	Meaning
AfDB	African Development Bank
BOI	Bank of Industry
CAC	Corporate Affairs Commission
CBN	Central Bank of Nigeria
DBN	Development Bank of Nigeria
DFI	Development Finance Institution
EDP	Enterprise Development Partner
ESG	Environmental, Social and Governance
FI	Financial Institution
FRC	Financial Reporting Council of Nigeria
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HSE	Health, Safety and Environment
IFRS S1 / S2	IFRS Sustainability Disclosure Standards: General Requirements (S1) and Climate-related Disclosures (S2)
ILO	International Labour Organization
ISSB	International Sustainability Standards Board
LBS	Lagos Business School
MFB	Microfinance Bank
MSME	Micro, Small and Medium Enterprise
NBS	National Bureau of Statistics
NDC	Nationally Determined Contribution
NDPA	Nigeria Data Protection Act 2023
NECA	Nigeria Employers' Consultative Association
OLS	Ordinary Least Squares (regression)
PIE	Public Interest Entity
pp	Percentage points
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SRG 1	Sustainability Reporting Guideline 1 (FRC)
TA	Technical Assistance
UNFCCC	United Nations Framework Convention on Climate Change
WDFI	Wholesale Development Finance Institution

EXECUTIVE SUMMARY

2026 AT A GLANCE

68.5%	14%	14%	1.32 / 3	1.7%
ESG awareness	ESG training	ESG reporting	ESG Maturity Index	Green Finance access

Why this report matters

MSMEs account for 96.9% of Nigerian businesses, 87.9% of employment and about 46% of GDP. Their choices on energy, waste, labour and governance therefore shape whether Nigeria meets its climate commitments, as well as whether growth is inclusive and sustainable. Three developments make ESG readiness a business necessity rather than a voluntary aspiration: the FRC's amended roadmap brings SMEs into mandatory IFRS S1/S2 reporting from 2030; the National Carbon Market Framework creates a route to monetise verified emission reductions; and banks are now screening MSME borrowers for ESG risk.

What we did

530	13	88	29
MSMEs surveyed, all six geopolitical zones, 21 Aug – 19 Sep 2026	Financial institutions (11 commercial banks, 1 MFB, 1 wholesale DFI)	Returning enterprises from the 2025 assessment	Scored items in the new six-dimension ESG Maturity Index (0–3 scale)

The 2026 edition pairs a demand-side survey of MSMEs with a first supply-side survey of lenders and introduces Nigeria's first MSME ESG Maturity Index. The Index places every enterprise at one of four levels (Nascent, Emerging, Developing or Leading) and sets the Year-0 baseline for annual tracking. All figures were re-estimated from respondent-level data for this report.

Headline findings

1. ESG awareness has stalled; understanding is the binding constraint

- 68.5% of MSMEs have heard of ESG (72% in 2025, a change within the margin of error), but only 43% understand it at a basic level or better and only 14% have had any ESG training.
- 69% cite lack of awareness as a challenge in adopting ESG, and the knowledge gap is the most common barrier: ranked first by 39% and in the top three by 89%.

2. Practice runs ahead of formalisation

- 73% of MSMEs have adopted at least one environmental practice, including 92 enterprises that have never heard of ESG.
- Only 27% have an environmental policy, 20% a documented ESG policy and 14% report on ESG performance. Much of what MSMEs do cannot yet be evidenced to lenders, buyers or carbon markets.

3. The typical MSME is at the Emerging level of ESG maturity

- The national Index score is 1.32 out of 3.
- 19% of MSMEs are Nascent, 46% Emerging, 26% Developing and 10% Leading.
- Measurement & Reporting is the weakest dimension (0.65; 68% at Nascent).

4. Size, exporter and sustained engagement drive maturity, not geography or sector

- Average scores rise from 1.15 for micro to 1.54 for small and 2.37 for medium enterprises. Exporters score 1.76 against 1.23 for non-exporters.
- Holding other factors constant, firms with 51+ staff score 0.91 points higher than firms with 1–5 staff, exporters 0.28 higher and returning 2025 participants 0.32 higher. Zone, sector and promoter characteristics add nothing once these are controlled.

5. A Green Finance gap: supply exists, but it is not reaching MSMEs

- 99% of MSMEs want more Green Finance opportunities, yet only 9 of 530 (1.7%) have accessed it and 16 more have applied; 22% do not know any instrument exists.
- On the supply side, 11 of 13 lenders offer green MSME products, 10 have drawn on concessional or blended funds and 9 screen MSMEs formally for ESG. Lenders' top barrier (10 of 13) is the lack of MSME ESG data and reporting, which is precisely the weakest dimension of the Index.

6. Climate and energy exposure is already a business reality

- 50% of the sampled MSMEs rely on generators; 35% use solar and 9% hybrid systems. 79% have been affected by at least one climate event, led by floods (45%) and heat (41%).
- Only 30 enterprises (6%) measure greenhouse gas emissions against targets, and 43% have never heard of carbon markets.

7. Sustained engagement works, and an investment-ready pipeline exists

- The 88 returning enterprises score 1.71 against 1.24 for first-time respondents; 60% are at Developing or above, against 30%. 77% report at least one ESG change since 2025.
- 82 MSMEs (15%) pass five investment-readiness screens. 86% of all MSMEs need less than ₦50 million to finance their planned ESG practices, while most Leading enterprises need more.

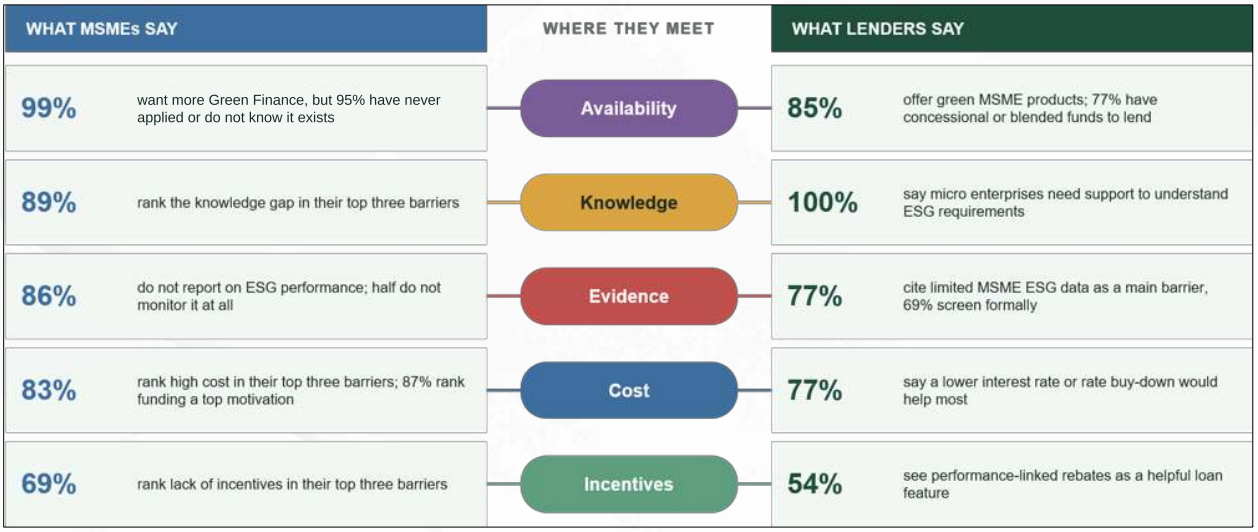
What needs to happen

The evidence points to a missing bridge rather than a mismatch of interests: MSMEs want finance and lenders have products, but MSMEs cannot evidence their practices and lenders cannot see them. Closing the gap requires four mutually reinforcing moves, set out in full in Chapters 11 and 12 and in the 2027 ESG Action Framework:

1. **Start from what firms already do.** Recognise, name and document existing practice through a simple MSME ESG Toolkit (guidance, templates, checklists), delivered through lenders and trade associations.
2. **Make measurement easy.** Introduce a light MSME ESG data template staged towards IFRS S1/S2, accepted across lenders, to answer the data barrier cited by 10 of 13 lenders.
3. **Match finance to ticket size and maturity.** Micro-ticket green loans under ₦50 million with rate buy-downs and performance-linked rebates for Nascent and Emerging firms; larger structured facilities for Developing and Leading firms, starting with the 82-firm pipeline.

4. **Prioritise energy transition and climate resilience.** Solar and hybrid finance to replace generator dependence, adaptation finance for flood and heat exposure, and aggregation by anchor institutions to bring MSMEs into carbon markets.

Key Gaps and Opportunities in Green Finance and ESG Adoption – Perspectives of Nigerian MSMEs and Lenders



Summary scorecard: the 2026 baseline

Indicator	2026	Comment
Heard of ESG	68.5%	72% in 2025; change not significant
At least basic understanding of ESG	43.4%	Fewer than half understand ESG
Received ESG training	14%	37% in the South West; under 13% elsewhere
Adopted environmental practices	72.6%	67% in 2025
Documented ESG policy	20.4%	65% of medium vs 12% of micro firms
Report on ESG performance	14%	Further 14.5% plan to within 12 months
Familiar with GRI or IFRS S1/S2	33.6%	9% have partly or fully adopted
ESG Maturity Index (0–3)	1.32	Emerging; Year-0 baseline
Accessed Green Finance	1.7%	9 enterprises; 25 applied or accessed
Lenders offering green MSME products	11 of 13	10 of 13 use concessional/blended funds

CHAPTER 1: INTRODUCTION

1.1 Nigerian MSMEs and the country's climate and development commitments

Micro, Small and Medium Enterprises (MSMEs) are the backbone of the Nigerian economy. They make up 96.9% of businesses, provide 87.9% of employment and generate about 46% of GDP (NBS/SMEDAN MSME Survey, 2021).[1] Their activities are therefore central to Nigeria's growth, to job creation and to the country's climate transition.

Those climate commitments became more ambitious in September 2025, when Nigeria unveiled its third Nationally Determined Contribution (NDC 3.0) under the United Nations Framework Convention on Climate Change (UNFCCC). The plan commits the country to cut greenhouse gas emissions by 29% by 2030 and 32% by 2035, against 2018 levels, and to reach net zero by 2060. The estimated cost of delivering it between 2026 and 2035 is US$337 billion.[2] Land use and forestry are expected to deliver around three-quarters of the 2030 emission reductions and the energy sector most of the remainder,[3] which places agriculture, agro-processing and energy-intensive small businesses squarely within the transition.

Globally, the Paris Agreement, the Sustainable Development Goals, the UN Global Compact and, increasingly, the International Sustainability Standards Board (ISSB) standards set the expectations against which enterprises and their financiers are judged. For MSMEs, these expectations arrive mostly indirectly, through the requirements of banks, investors, large buyers and export markets.

1.2 Summary of the 2025 edition

In October 2025, the Bank of Industry (BOI) published the first edition of this report, based on a survey of 316 MSMEs across the six geopolitical zones. It found that awareness of ESG was rising and that most MSMEs were already applying some environmental or social practices, but that few had formalised them. Limited funding, weak technical capacity and inadequate incentives were identified as the main barriers. The report called on ecosystem actors to respond with targeted finance and capacity building and, among other measures, proposed a national index to track adoption over time.

The first edition also left important questions unanswered. It captured only the MSME side of the market, so it could not say whether the lack of finance reflected a shortage of green products or a failure to reach MSMEs. It did not examine how enterprises decide which sustainability issues matter to them, how exposed they are to climate risk, or whether they are ready for emerging reporting standards and carbon markets. This edition was designed to fill those gaps.

1.3 Policy and regulatory context

Since 2025, climate, sustainability and Sustainable Finance policy has continued to evolve in Nigeria and globally. Most MSMEs are not yet required to report ESG information, but banks, investors and large companies are increasingly asking for it. This context matters for a central finding of this report: most Nigerian MSMEs are still at an early stage of ESG measurement and reporting.

[1]National Bureau of Statistics and SMEDAN, National MSME Survey Report 2021, as cited in PwC Nigeria, MSME Survey 2024.

[2]UNDP Nigeria, "Nigeria Unveils its NDC Climate Action 3.0 at UNGA: The Real Work Begins", October 2025.

[3]Enerdata, "Nigeria's updated NDC targets 32% GHG emissions cut by 2035 compared to 2018", 2025: LULUCF 73.7% and energy 22% of 2030 reductions.

1.3.1 Nigeria

- **Sustainability reporting.** On 23 February 2026, the Financial Reporting Council of Nigeria (FRC) released an amended roadmap for adopting the IFRS Sustainability Disclosure Standards, together with Sustainability Reporting Guideline 1 (SRG 1). IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) become mandatory for public interest entities from 1 January 2028. SMEs, defined as entities with turnover of ₦500 million or less and total assets of ₦200 million or less, come into scope from 1 January 2030, with external assurance phased in thereafter.[4] As larger companies and banks adopt these standards, requests for ESG information will travel down their supply chains and loan books.
- **Carbon markets.** On 30 October 2025, ahead of COP30, the Federal Government approved the National Carbon Market Framework and the operationalization of the Climate Change Fund. The Framework aims to unlock US$2.5–3 billion a year in carbon finance over the next decade.[5] Detailed implementing regulations are still being developed. Carbon markets remain at an early stage, but they could reward businesses that can demonstrate measurable emission reductions.
- **Sustainable Finance.** The Central Bank of Nigeria (CBN) continues to encourage banks to consider environmental and social risk in lending decisions under the Nigerian Sustainable Banking Principles, and banks are expanding green and sustainability-linked products. The United Nations Development Programme (UNDP) has been supporting the Federal Ministry of Finance to develop a national Sustainable Finance taxonomy. Businesses that can provide reliable ESG information will find it easier to access these products.

1.3.2 Global developments

More jurisdictions are adopting or moving towards ISSB-based reporting, creating a more consistent approach across international markets. In 2026 the European Union reduced the number of businesses covered by some of its sustainability reporting and due-diligence requirements, but sustainability expectations across global supply chains remain significant, and disclosure rules continue to develop in other major markets. International attention to Climate Finance and adaptation has also grown. For Nigerian MSMEs, ESG information requests are becoming a normal part of doing business with international customers, investors and partners, even where local requirements do not yet apply.

1.3.3 What this means for MSMEs

- **Reporting requirements are moving closer.** SMEs come into scope from 2030; businesses that build simple ESG systems now will be better prepared.
- **Information requests arrive before obligations.** Banks, investors and larger companies preparing their own reports are already seeking data from suppliers, borrowers and partners.
- **Access to finance is increasingly linked to ESG readiness.** As lenders expand green and sustainability-linked products and introduce ESG screening, enterprises with better-documented practices are better placed to qualify.
- **Sustainability creates opportunity.** Strong ESG practice can help MSMEs strengthen customer relationships, join responsible supply chains and compete in the growing green economy.

[4]FRC Nigeria, amended IFRS Sustainability Disclosure Standards adoption roadmap and SRG 1, February 2026; DLA Piper Africa, Sustainability Alert: Nigeria, 2026.

[5]AllAfrica/ThisDay, "COP30 – Tinubu Okays National Carbon Market Framework, Climate Fund", 1 November 2025.

1.4 Objectives of the 2026 edition

This second edition was designed to answer the questions that arose from the first. The survey set out to:

1. Assess ESG awareness, adoption and integration among Nigerian MSMEs.
2. Measure ESG maturity across environmental, social, governance, disclosure and carbon-readiness dimensions, establishing a baseline Maturity Index.
3. Assess reporting readiness, including familiarity with IFRS S1 and S2.
4. Assess carbon-market awareness, preparedness and participation.
5. Identify drivers, barriers, financing gaps and technical assistance and capacity needs.
6. Track changes since 2025 in practices, outcomes, finance and training.
7. Benchmark ESG adoption by firm size, sector, promoter demographics and geopolitical zone.
8. Examine the role of financial institutions and other ecosystem actors.
9. Provide evidence for the design of BOI's finance, capacity-building and policy interventions.

1.5 Structure of the report

Chapter 2 sets out the methodology, including full documentation of the Maturity Index. Chapter 3 profiles the respondents. Chapters 4 to 8 present findings on awareness and capability, environmental performance and climate risk, social performance, governance and materiality, and reporting readiness. Chapter 9 presents the Maturity Index and what drives it. Chapter 10 examines the Green Finance gap from both sides of the market. Chapter 11 reviews ecosystem developments and draws out implications for each group of actors, and Chapter 12 sets out the way forward, including the 2027 ESG Action Framework. The appendices contain the survey instruments, the technical notes on the Index, a glossary, statistical tables, a policy timeline and references.

CHAPTER 2: RESEARCH METHODOLOGY

2.1 Study design

The 2026 assessment is a cross-sectional national survey with two parallel instruments: one for MSMEs, capturing the demand side of the market, and one for financial institutions, capturing the supply side. The MSME survey was in the field from 21 August to 19 September 2026 and the financial institution survey from 18 August to 4 September 2026. Both were administered online. Most questions were multiple-choice; the financial institution instrument included two open questions on current initiatives and further interventions needed. The core questions from 2025 were retained so that headline results can be compared over time.

2.2 Study population and sample

2.2.1 MSMEs

The MSME sample comprises 530 enterprises across all six geopolitical zones and 12 sectors. Enterprises were reached mainly through BOI's customers who participated voluntarily. Of the 530, 88 had also taken part in the 2025 assessment and 442 were first-time respondents.

For analysis, enterprises are classified by number of employees, following the bands in the instrument and approximating the SMEDAN definitions: **micro** (1–10 staff; 402 firms, 76%), **small** (11–50 staff; 80 firms, 15%) and **medium** (51 or more staff; 48 firms, 9%). The instrument's top band (more than 100 staff) may include a few enterprises above SMEDAN's medium-enterprise ceiling of 199 employees; these are retained in the medium group.

2.2.2 Financial institutions

Thirteen financial institutions responded: 11 commercial banks, 1 microfinance bank and 1 wholesale development finance institution. Because the number is small, results are reported as counts (for example, "10 of 13") rather than percentages, and the lenders' view reflects commercial bank products and priorities more than those of microfinance banks or DFIs.

2.3 Survey instruments

2.3.1 MSME instrument: ESG Practices and Readiness Survey

The MSME questionnaire contains 77 questions in 12 modules (Table 2.1).

Table 2.1: Structure of the MSME questionnaire

Module	Questions	Content
A. Enterprise and promoter profile	11	Promoter gender, age and education; sector; zone; years of operation; employees; revenue; registration; ownership; export status
B. Progress since 2025	5	Participation in 2025 assessment; changes made; impacts seen; self-rated change in ESG practice; access to new buyers or markets
C. Awareness and capability	3	ESG familiarity; staff ESG training; sources of ESG awareness
D. Measurement and reporting	7	ESG reporting and channels; monitoring method and indicators; familiarity with and adoption of GRI and IFRS S1/S2; adoption timeline
E. Adoption challenges	1	Challenges experienced in adopting ESG
F. Materiality and targets	7	Identification of material issues; methods used; financial and impact perspectives; priority issues; review frequency; link to targets; support needed

Module	Questions	Content
G. Environmental practice and climate risk	10	Practices implemented; impact monitoring; environmental policy; energy sources; energy, water and waste management; climate events
H. Carbon-market readiness	4	Knowledge of carbon markets; readiness; GHG measurement against targets; support required
I. Green Finance	2	Participation in, application for or access to Green Finance; instruments used
J. Social practice	12	Minimum wage; health insurance; first aid; fire safety and drills; workforce gender and age mix; persons with disabilities; contracts; injuries; staff attitude; HSE training
K. Governance and strategy	7	Mechanisms to reinforce ESG; board or advisory structure; whistleblowing; data protection; ESG oversight; ESG policy; integration into decisions
L. Motivations, barriers and support needs	8	Ranked motivations and barriers; interest in training, Green Finance, reporting support and ESG adoption; financing need; plans for the next 12 months

2.3.2 Financial institution instrument: Survey on ESG-Linked Finance for MSMEs

The lender questionnaire contains 12 questions covering institution type; Green Finance products offered to MSMEs; the number of MSMEs financed and value disbursed under green products in the past 12 months; ESG due diligence before lending; barriers to scaling ESG compliance among MSMEs; access to concessional or blended finance; the loan features most likely to help MSMEs; perceptions of MSME understanding of ESG; current initiatives; and further interventions required. It is reproduced in Appendix B.

2.4 The MSME ESG Maturity Index

2.4.1 Conceptual framework

The Maturity Index measures how far each MSME has progressed in embedding ESG into its business. It moves the question from "do MSMEs know about ESG?" to "how far has adoption gone, and what would move each enterprise to the next stage?". It is designed to align the level an enterprise reaches with the support it needs.

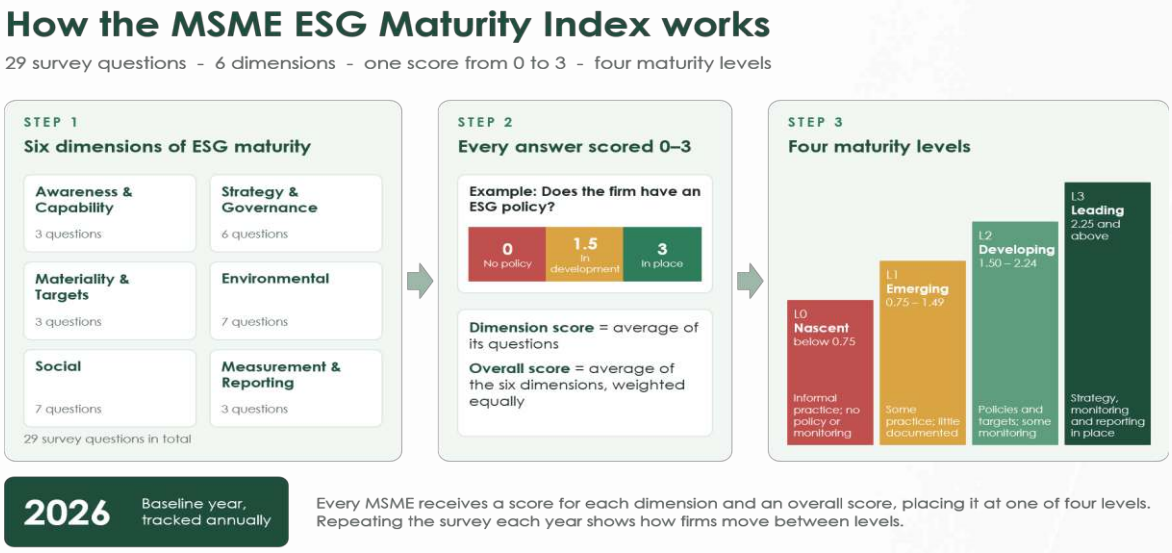


Figure 2.1: MSME ESG Maturity Index framework

Source: *BOI ESG Adoption Survey 2026.*

The Index is built from 29 scored survey items grouped into six dimensions (Table 2.2).

Table 2.2: Maturity Index dimensions

Dimension	Items	What it measures
Awareness & Capability	3	ESG familiarity; staff ESG training; mechanisms to reinforce ESG behaviour
Strategy & Governance	6	Documented ESG policy; who oversees ESG; integration into decisions; board or advisory structure; whistleblowing mechanism; customer data protection
Materiality & Targets	3	Material issues identified; linked to targets; frequency of review
Environmental	7	Practices adopted; environmental policy; impact monitoring; energy tracking; water monitoring; waste disposal; clean energy use
Social	7	Minimum wage; health insurance; first aid; fire safety equipment; formal contracts; HSE training; employment of persons with disabilities
Measurement & Reporting	3	ESG reporting; monitoring method; GRI / IFRS S1–S2 adoption

2.4.2 Scoring, normalisation and aggregation

Each answer is mapped to a score between 0 and 3, where 0 indicates no practice, intermediate values indicate partial or developing practice, and 3 indicates full or formal practice. For example, a documented ESG policy scores 3, a policy under development 1.5 and no policy 0. Yes/no practices score 3 or 0. Multi-select practice questions score by breadth (for example, the number of environmental practices implemented, capped at three). Because every item is already on the same 0–3 scale, no further normalisation is required. Item-level scoring rules are documented in Appendix C.

Scores are aggregated in two steps:

- **Dimension score** = the simple average of the items in that dimension.
- **Overall Index score** = the simple average of the six dimension scores, so that each dimension carries equal weight (one-sixth) regardless of how many items it contains.

Equal weighting was chosen for transparency and because there is no agreed empirical basis for weighting ESG dimensions for MSMEs. The Index is internally consistent: Cronbach's alpha across the 29 items is 0.84, well above the conventional 0.70 threshold.

2.4.3 Maturity levels

Each enterprise is placed at one of four maturity levels according to its overall score (Table 2.3). The same thresholds are used to classify dimension scores.

Table 2.3: Maturity levels

Level	Score range	Typical profile
L0 Nascent	Below 0.75	Unaware of ESG; informal practice; no policy, monitoring or reporting
L1 Emerging	0.75 – 1.49	Some practice (often energy or waste); owner-led; little documentation
L2 Developing	1.50 – 2.24	Policies in place or in development; issues linked to targets; some monitoring
L3 Leading	2.25 and above	Documented strategy; structured oversight; monitoring and reporting in place

2.5 Analytical approach

Results are presented as shares of respondents and as mean Index scores. To distinguish real differences from sampling noise, the analysis uses 95% Wilson confidence intervals for key proportions, chi-square tests for differences between groups, analysis of variance for differences in mean scores, and two-proportion tests for comparisons with 2025. Because group characteristics

overlap (larger firms, for example, are more likely to export and to be located in the South West), an ordinary least squares regression of the overall Index score on firm and promoter characteristics, with heteroskedasticity-robust standard errors, is used to isolate the factors associated with maturity. An ordered logit model on the four maturity levels was estimated as a robustness check.

2.6 Data validation

530
MSME responses

13
lender responses

18 min
median MSME completion time

Completeness
Core items were complete. Optional non-response is shown in the base for each question.

Consent
All respondents consented under the Nigeria Data Protection Act (NDPA) 2023.

Speed of completion
One response took under five minutes and was retained after review.

Skip-logic consistency

376 **confirmed adopters used for practice-type counts**

Practice types were recorded for 113 "No" and 9 blank responses. The correction moves solar from 33% to 25% of all firms and changes the 2025 comparison.

Logical consistency

230 **firms with at least basic ESG understanding**

Only these firms are counted for two items. Unaware firms credited ESG with new buyers (28) or said practices improved (85).

Scoring
Unanswered items and "every 2-3 years" for materiality review both score 0. The latter applied to 27 firms.

Open-text responses
"Other" was recoded where possible (e.g. BOI as an awareness source). "Nil" and "None" counted as no response.

2.7 How results are presented

Percentages are based on the respondents who answered each question. For multi-select questions, respondents could choose more than one answer, so totals can exceed 100%. Results for groups with fewer than 30 respondents are indicative only and are flagged. Lender results are shown as counts. Comparisons with 2025 use the published figures from the first edition; where questions or definitions changed between editions, comparisons are marked as indicative.

2.8 Limitations

The MSME sample was drawn mainly from BOI's customer network and respondents chose whether to take part, so it is not statistically representative of all Nigerian MSMEs, and responses are not weighted. Respondents are CAC-registered and 85% of promoters hold a first degree or higher. The results therefore best describe formal, finance-connected MSMEs and probably overstate adoption across the wider sector. All responses are self-reported and were not independently verified; items based on stated intent (such as materiality) are more prone to over-reporting than items based on documented practice. The North is more heavily represented than in 2025, and the South East (43) and South South (47) samples are small. Only financial institutions were surveyed on the supply side, so the roles of technical assistance providers, regulators and trade associations are seen only through MSMEs' responses. Finally, differences between groups show which characteristics go together, not what causes what.

CHAPTER 3: PROFILE OF RESPONDENTS

3.1 Geographic distribution

The survey reached MSMEs in all six geopolitical zones (Figure 3.1). North Central accounts for the largest share of respondents (27.7%), followed by the South West (19.1%), North West (18.7%) and North East (17.5%). Together, the three northern zones account for 64% of respondents, slightly more than in 2025 (61%), so findings draw heavily on the experience of northern MSMEs. The South East (8.1%) and South South (8.9%) together account for 17% of responses, similar to 2025; results for these two zones rest on fewer than 50 enterprises each and should be read as indicative.

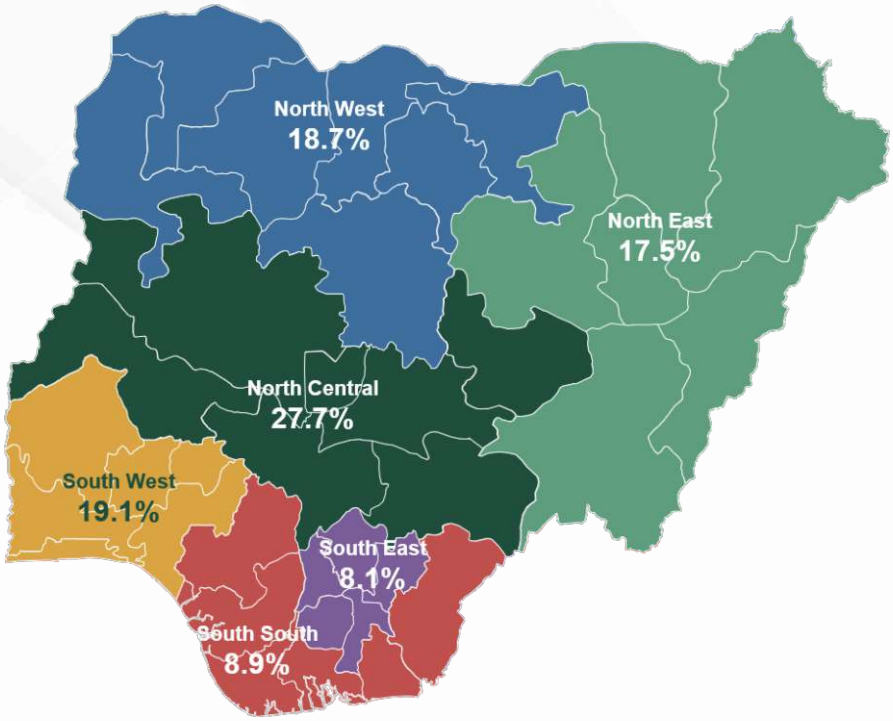


Figure 3.1: Map of Nigeria showing distribution of MSME respondents by geopolitical zone
Source: BOI ESG Adoption Survey 2026. Map: @svg-maps/nigeria by Michael Chukwu, CC BY 4.0

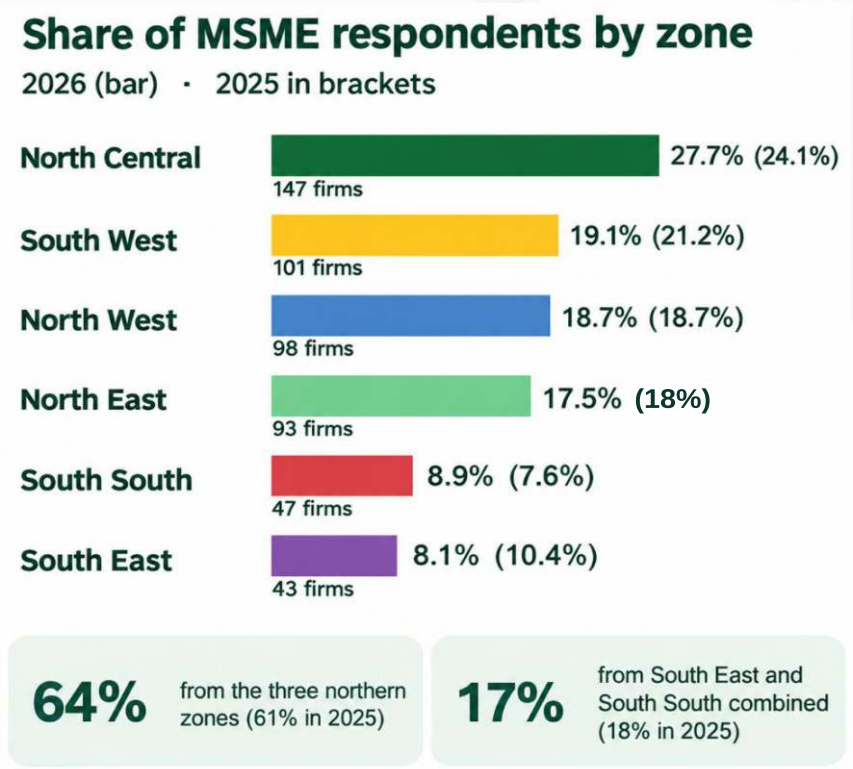


Figure 3.2: Share of MSME respondents by geopolitical zone, 2026 versus 2025
Source: BOI ESG Adoption Survey 2026; BOI, 2025 State of ESG Adoption by Nigerian MSMEs

The zones differ markedly in the type of enterprise that responded, and this matters for every regional comparison in the report. Medium enterprises make up 30% of South West and 19% of South South respondents but 5% or less in every northern zone and none in the South East. South West respondents are also older businesses (45% have operated for more than ten years, against 11–28% elsewhere) and more export-oriented (28% export, against 10–21% elsewhere).

3.2 Enterprise size and revenue

The sample is dominated by micro enterprises, reflecting the structure of Nigeria's MSME sector (Figure 3.3). Three in four respondents (75.8%) employ ten or fewer staff, 15.1% are small and 9.1% medium. Nearly half (46%) earned less than ₦5 million in 2025 and a further 30% between ₦5 million and ₦25 million; 9% earned more than ₦500 million. Most are owner-run: 72% are sole proprietorships and 22% limited liability companies.

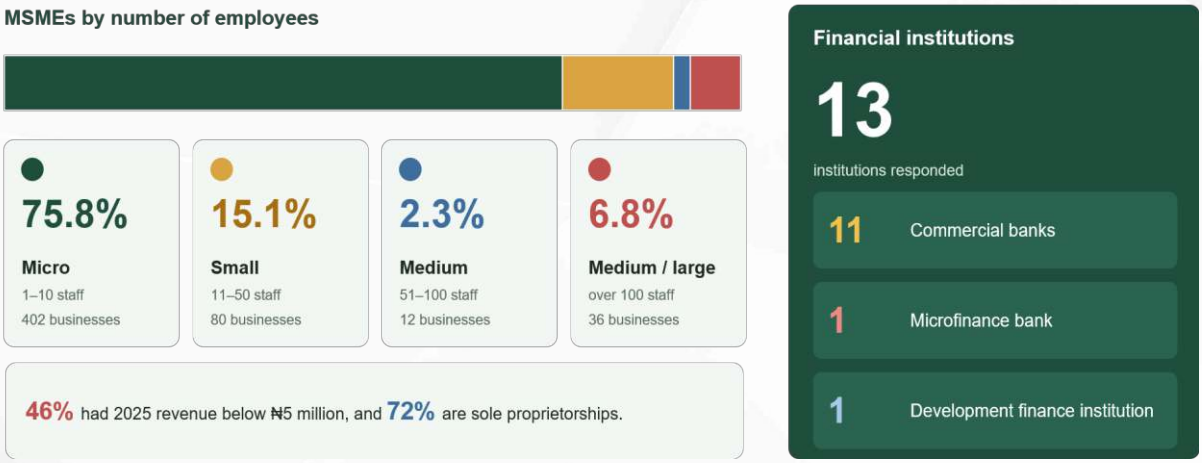


Figure 3.3: MSME respondents by number of employees, and financial institution respondents by type
Source: BOI ESG Adoption Survey 2026

On the supply side, 11 of the 13 responding institutions are commercial banks. Chapter 10 therefore reflects commercial bank products and priorities more than those of microfinance banks or development finance institutions.

3.3 Sector distribution

The sample is more diversified than in 2025, but agriculture remains the largest sector (32.3%, down from 40%), followed by manufacturing (17.4%, up from 12.3%, the fastest-growing group), wholesale and retail trade (13.8%), ICT (13.6%) and the creative industries (8.3%) (Figure 3.4).

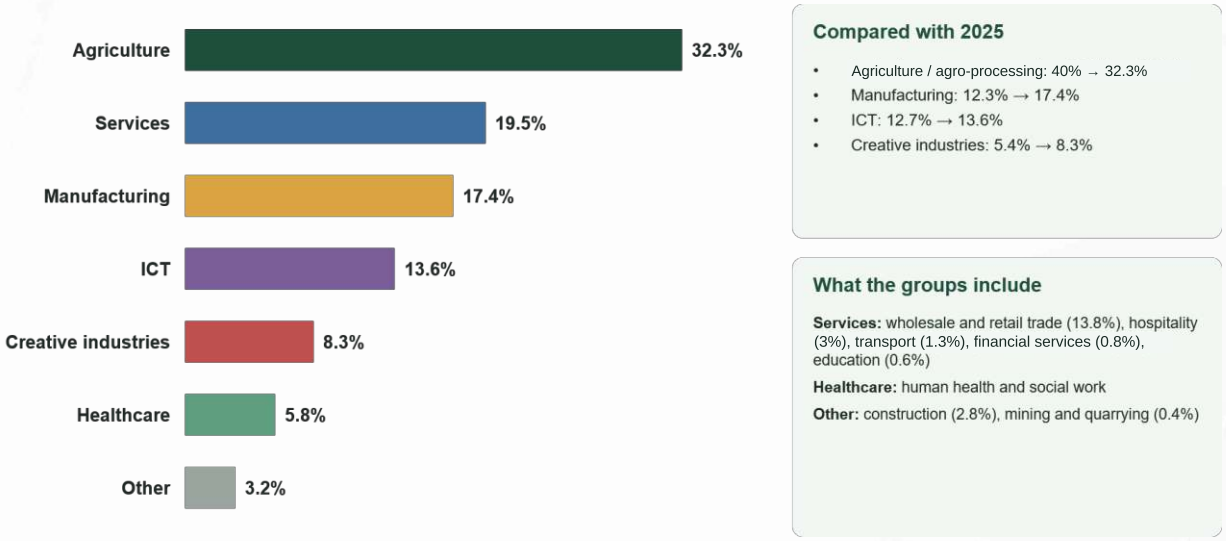


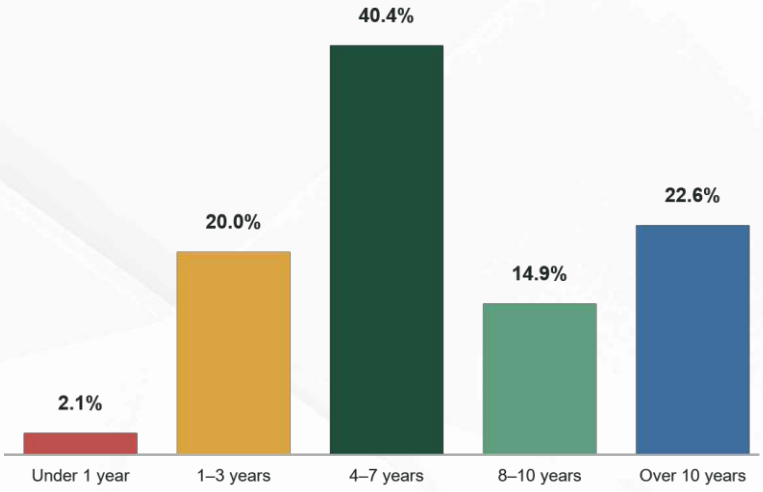
Figure 3.4: MSME respondents by sector, 2026 versus 2025
Source: BOI ESG Adoption Survey 2026; BOI 2025 edition

The sector mix closely mirrors the Federal Government's economic priorities, which place agribusiness and food value chains, manufacturing and light industry, digital services, healthcare, and the creative and tourism industries at the centre of the growth and job-creation agenda. Agriculture is also central to Nigeria's climate commitments: it employs around three in ten working Nigerians, and land use and forestry are expected to deliver roughly three-quarters of NDC 3.0's 2030 emission reductions. The ESG readiness of enterprises in these sectors is therefore directly relevant to where the Government expects growth and investment to come from.

Sectors also differ in firm size. Half of manufacturing respondents (49%) are small or medium enterprises, against 16% in agriculture, 11% in ICT and 11% in wholesale and retail trade. As with zones, this shapes the raw sector comparisons in Chapter 9.

3.4 Business maturity

As in 2025, most respondents are established businesses in their growth years rather than start-ups (Figure 3.5). Four in ten (40%) have operated for four to seven years, 38% for more than eight years and 22% for three years or less. Enterprises at this stage typically have enough of a track record to be credible borrowers but are still building the systems and documentation that formal ESG practice and green lending require.



40%
have operated for 4–7 years, the most common band (45% in 2025)

38%
have operated for more than 8 years

22%
are start-ups of three years or less

Figure 3.5: MSME respondents by years of operation
Source: BOI ESG Adoption Survey 2026.

3.5 Promoter profile, export orientation and prior participation

Women-led businesses account for 22.6% of respondents, slightly more than in 2025 (20.9%). Promoters are young, with 77% aged 45 or under (39% are 18–35), and highly educated, with 85% holding at least a first degree and 26% a postgraduate degree. 18.1% of enterprises export their products, rising to 46% of medium enterprises. One in six respondents (88 enterprises, 16.6%) took part in the 2025 assessment.

Table 3.1: Respondent profile at a glance

Characteristic	Number	Share	Note
Micro enterprises (1–10 staff)	402	75.8%	46.8% have 1–5 staff
Small enterprises (11–50 staff)	80	15.1%	
Medium enterprises (51+ staff)	48	9.1%	36 have over 100 staff
Revenue below ₦5 million (2025)	244	46%	
Revenue above ₦500 million (2025)	48	9.1%	
Women-led	120	22.6%	20.9% in 2025
Promoter aged 18–35	206	38.9%	
Promoter with first degree or higher	450	84.9%	
Exporters	96	18.1%	46% of medium enterprises
Sole proprietorships	382	72.1%	
Took part in 2025 assessment	88	16.6%	
CAC-registered	528	99.6%	

CHAPTER 4: ESG AWARENESS AND CAPABILITY

4.1 Knowledge levels

Overall awareness has not advanced since 2025. 68.5% of respondents have heard of ESG (95% confidence interval 64–72%), against 72% in 2025, a difference that is within the margin of sampling error (p = 0.26). Behind the headline, depth of knowledge is limited: 31.5% of MSMEs have never heard of ESG and a further 25% have heard of it but do not understand it. Only 43% claim at least a basic understanding, and 5% describe their knowledge as advanced.

The adoption pathway in Figure 4.1 shows how participation thins at every step from awareness to finance. A quarter of firms know the term but not the substance; formalisation (policy, training, reporting) reaches only one in five or fewer; and Green Finance reaches fewer than one in fifty.

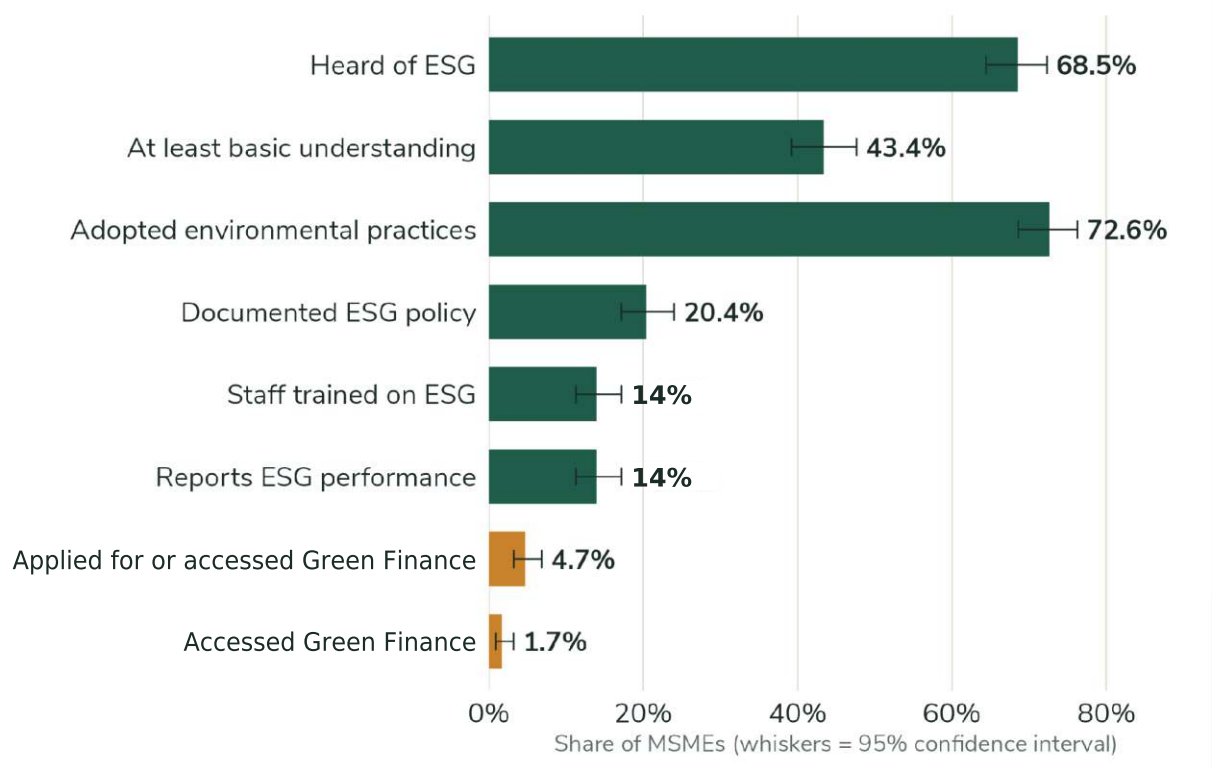


Figure 4.1: From awareness to finance: participation at each step of ESG adoption (share of MSMEs; whiskers show 95% confidence intervals)

Source: BOI ESG Practices and Readiness Survey for MSMEs, 2026.

4.2 Changes since 2025 and differences between groups

The 2025 edition reported that male-led enterprises and young founders were the most aware groups, and recommended positioning youth-led businesses as ESG ambassadors. The 2026 results call for caution in drawing demographic conclusions (Figure 4.2):

- **Youth awareness has fallen.** Awareness among promoters aged 18–35 fell by 15 percentage points, from 80% to 65%. This is the only statistically significant change in awareness between the two editions. The 2025 recommendation on youth ambassadors should therefore be revisited.
- **Gender differences are not significant.** Awareness among female-led enterprises rose by 11 points (63% to 74%), while that of male-led enterprises fell by 8 points, but neither change is statistically significant, and in 2026 awareness does not differ significantly by gender (74% vs

67%; p = 0.28) or by age group (p = 0.46). The apparent "reversal" of the 2025 gender pattern should not be presented as a firm finding.

- **Zone differences are not significant either.** The share that has heard of ESG ranges from 63% (North Central) to 75% (South West), but the differences are within sampling error (p = 0.29). The South West stands out only on depth: 57% have at least a basic understanding, against 37–45% elsewhere.
- **Size, exporting and prior engagement make the real difference.** 94% of medium enterprises have heard of ESG against 63% of micro enterprises; 83% of exporters against 65% of non-exporters; and 95% of returning 2025 participants against 63% of first-time respondents. All three differences are highly significant.

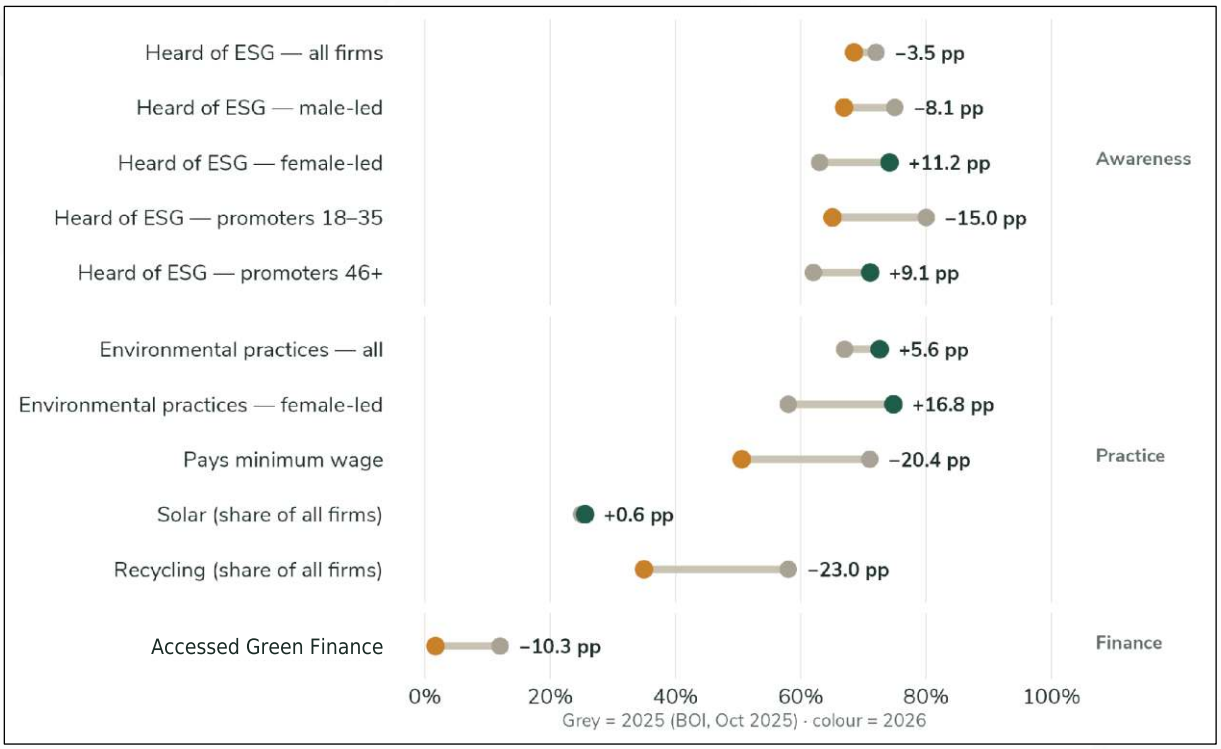


Figure 4.2: Change in selected indicators, 2025 versus 2026 (percentage points; coloured points are 2026 values)

Source: BOI ESG survey 2026; BOI 2025 edition (n = 316). Definitions changed between editions; movements are indicative.

4.3 Sources of ESG awareness

The media remain the main channel. Among the 363 enterprises that have heard of ESG, 52% learned of it through the media and 35% through financial institutions, followed by trade associations (13%), NGOs (11%) and customers (11%) (Figure 4.3). Measured across all respondents, the share citing the media rose from 38% in 2025 to 49% in 2026, a significant increase.

Financial institutions are emerging as an important awareness channel, consistent with the growing use of ESG screening in credit appraisal (Chapter 10). Trade associations and NGOs reach more enterprises than financial institutions do, which makes them natural partners for delivering capacity programmes.

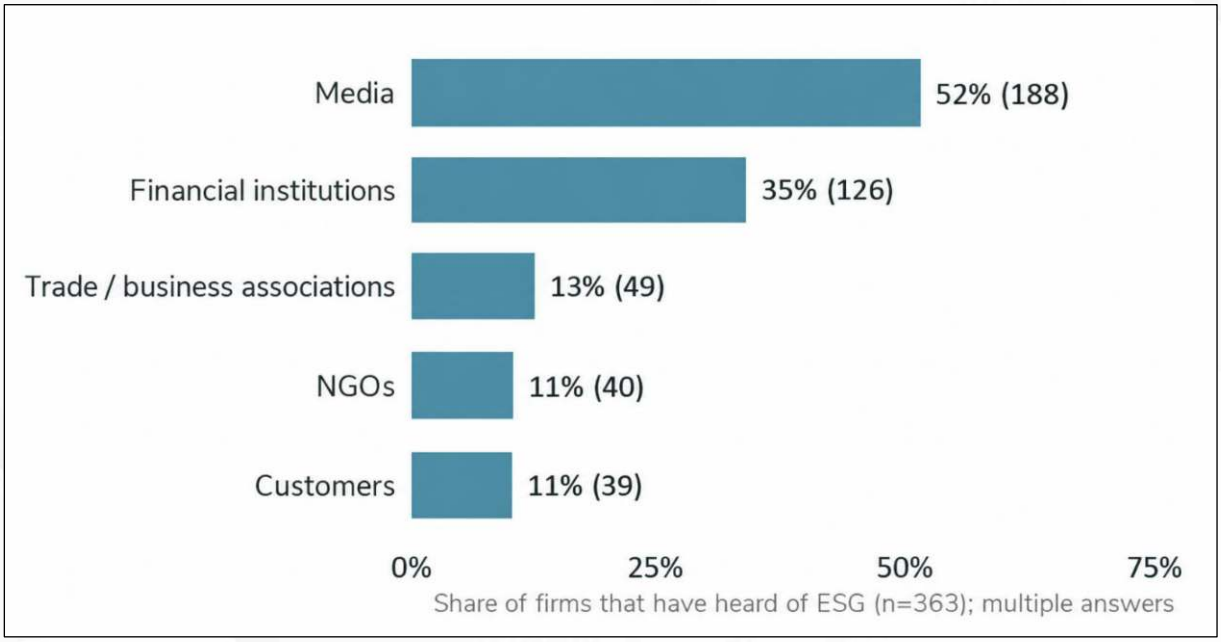


Figure 4.3: Sources of ESG awareness among enterprises that have heard of ESG (multiple answers)
Source: BOI ESG survey 2026.

4.4 Training and capability

Capability lags awareness. Only 14% of enterprises (74) have had any ESG training, and exposure is highly concentrated: 37% of South West enterprises have been trained, against 13% in the South South and under 10% in every northern zone and the South East. Training rises steeply with size (7% of micro, 18% of small and 71% of medium enterprises), with export orientation (29% vs 11%) and with prior engagement (40% of returning 2025 participants vs 9% of first-timers).

When asked about the challenges they have faced in adopting ESG practices, 69% of respondents cited lack of awareness, far ahead of limited technical expertise (23%), data challenges (15%), the perceived high cost of adoption (14%) and lack of leadership support (12%).

4.5 Practice runs ahead of understanding

A striking feature of the data is that many enterprises practise ESG without naming it. Of the 167 enterprises that have never heard of ESG, 92 (57% of those who answered) have nonetheless adopted environmental practices such as recycling, water management or solar power. What separates them from more knowledgeable enterprises is not practice but formalisation (Figure 4.4). As understanding improves, the share with a documented ESG policy rises from 10% to 73%, and the share reporting on ESG from 4% to 62%.

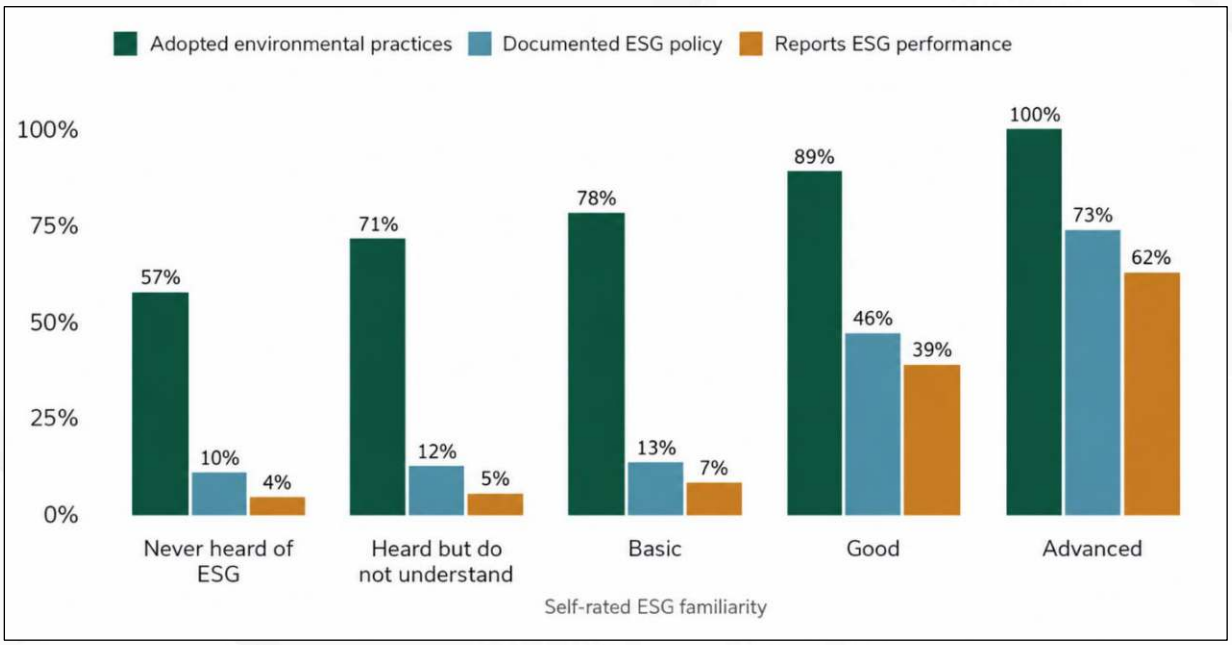


Figure 4.4: Environmental practice, ESG policy and ESG reporting by self-rated ESG familiarity

Source: BOI ESG survey 2026; bases exclude firms that skipped the practice question

This has a direct implication for programme design: awareness programmes should start from what enterprises already do, helping them name, document and evidence existing practice, rather than starting from zero.

4.6 Staff attitudes and reinforcement of ESG behaviour

Staff attitudes to ESG are mostly neutral (54%). A third of MSMEs (33%) describe their staff as supportive or highly supportive and 12% as somewhat or highly resistant. Enterprises reinforce ESG behaviour mainly through training (44%), awareness campaigns (31%) and management communication (24%); 29% do nothing to reinforce it, and very few use targets (11%), recognition (14%) or ESG incentives (10%). Simple, low-cost reinforcement tools, such as linking a small number of ESG targets to staff recognition, are therefore an untapped lever.

CHAPTER 5: ENVIRONMENTAL PERFORMANCE AND CLIMATE RISK

The 2025 edition found that ESG practice was widespread but rarely formalised. This chapter reviews what MSMEs are doing on the environment, how they monitor it, how they use energy, how exposed they are to climate risk and how ready they are for carbon markets.

5.1 Environmental practices

Environmental practice has grown modestly. 72.6% of enterprises that answered have adopted at least one environmental practice, up from 67% in 2025 (an increase that is not yet statistically significant). Among the 376 adopters, recycling is the most common practice (49%), followed by water management (41%), solar power (36%) and energy efficiency (31%). Breadth is limited: only 12% of all enterprises have three or more practices in place.

Measured as a share of all enterprises, the mix has shifted since 2025 (Table 5.1). Solar adoption is unchanged at around a quarter of enterprises. Recycling (35% against 58%) and energy efficiency (22% against 42%) are substantially lower. Water management (29% against 35%) and environmental policies (27% against 28%) are broadly unchanged.

Table 5.1: Environmental indicators, 2025 versus 2026

Environmental indicator	2026	2025	Change
Adopted environmental practices (% of those answering)	72.6%	67%	+5.6 pp (n.s.)
Recycling (% of all enterprises)	34.9%	58%	−23.1 pp
Water management	29.2%	35%	−5.8 pp (n.s.)
Solar power	25.5%	25%	+0.5 pp (n.s.)
Energy efficiency	22.3%	42%	−19.7 pp
Environmental policy in place	26.8%	28%	−1.2 pp (n.s.)
Generator as a main energy source	49.6%	Not surveyed	–
Measure GHG emissions against targets	5.7%	Not surveyed	–

Note: 2026 practice shares count only enterprises that confirmed adopting environmental practices. 2025 practice shares are taken from the first edition, which does not state their base. They are treated here as shares of all respondents. n.s. = not statistically significant at the 5% level. Definitions differ between editions; changes are indicative.

Implementation runs ahead of formalisation. Only 27% of enterprises have an environmental policy or documentation, and a further 22% are developing one; 52% have none. As noted in Chapter 4, 92 of the 167 enterprises that have never heard of ESG have nonetheless adopted environmental practices, confirming the 2025 finding that many MSMEs implement ESG activities without knowing it.

5.2 Monitoring and waste management

Most enterprises track at least part of their environmental footprint, but the practice is uneven and often informal (Figure 5.1). Two-thirds (66%) say they monitor their environmental impact, but informal monitoring is the most common approach (30% of monitors). 60% track energy use and 57% monitor water consumption. These are not always the same enterprises: only 35% do all three, and 15% do none.

Waste is the clearest gap. 30% of enterprises simply dump their waste and a further 40% hand it to collectors or contractors with little visibility of where it ends up; only 30% recycle or reuse it.

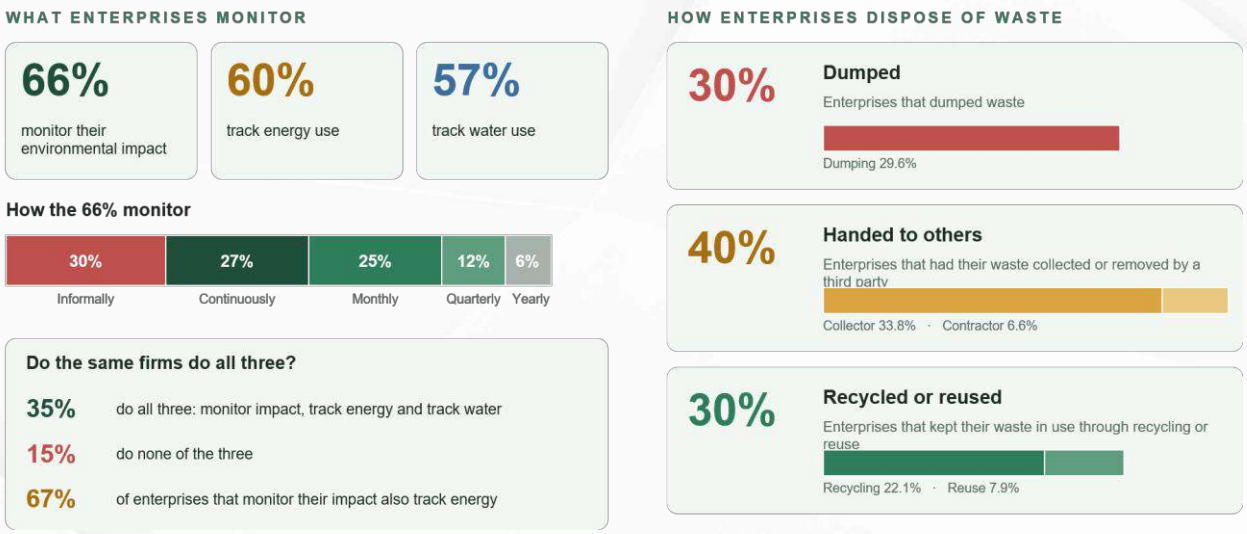


Figure 5.1: Environmental monitoring and waste disposal practices

Source: BOI ESG survey 2026.

5.3 Energy transition

Energy is the clearest decarbonisation opportunity for MSME finance. Half of MSMEs (50%) rely on generators as a main energy source, 40% on the grid, 35% on solar and 9% on hybrid systems. 37% of enterprises use generators without any solar or hybrid supply, which is both a cost and an emissions problem.

Energy patterns differ by region in ways that matter for product design. Solar use is highest in the North West (53%) and North East (45%), while generator dependence is highest in the South South (70%), South East (65%) and South West (59%). Manufacturing enterprises are among the most generator-dependent (58%) and the least likely to use solar (14%). Generator use also rises with size, from 46% of micro to 69% of medium enterprises, so the largest single-ticket opportunities for solar and hybrid finance are among small and medium manufacturers in the South.

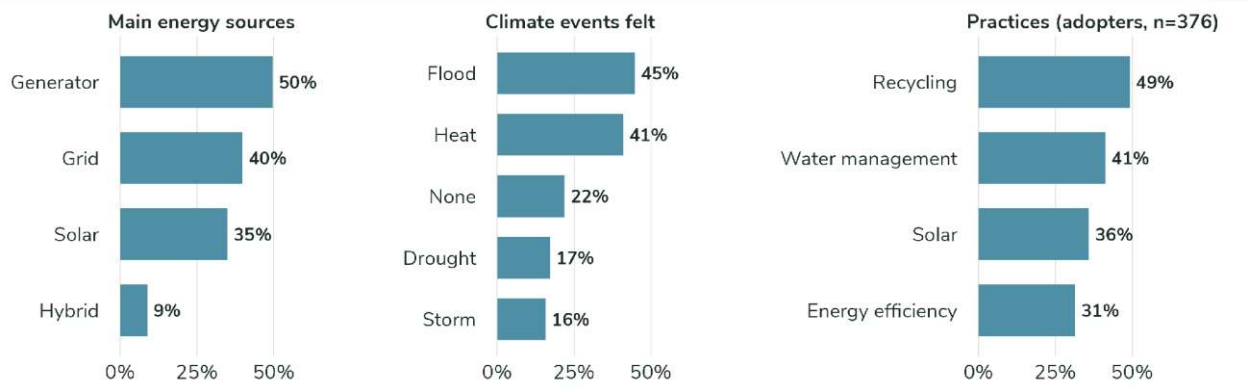


Figure 5.2: Main energy sources, climate events experienced and environmental practices among adopters

Source: BOI ESG survey 2026.

5.4 Climate risk exposure

Climate risk is already a business reality. 79% of enterprises have been affected by at least one climate event, and 26% by two or more (Figure 5.3). Floods are the most common (45%), followed by extreme heat (41%), drought (17%) and storms (16%).

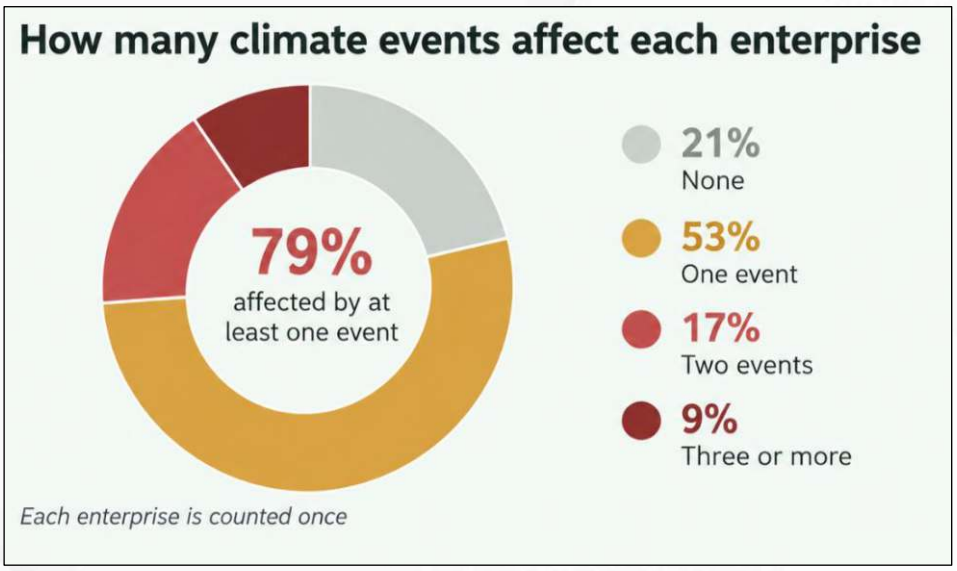


Figure 5.3: Frequency of climate events affecting MSME operations
Source: BOI ESG survey 2026.

Exposure varies by zone and sector. Floods affect more than half of enterprises in the South South (57%) and South East (53%), while heat is most frequently reported in the North Central (50%) and North West (48%). Nine in ten agricultural enterprises (91%) report at least one climate event. Adaptation finance, such as flood-resilient storage, cooling and climate-smart agricultural inputs, is therefore as relevant to MSMEs as mitigation finance.

5.5 Carbon-market readiness

Carbon markets remain out of reach for most MSMEs (Figure 5.4). 43% have never heard of carbon markets and 19% recognise the term but know nothing about how they work; only 15% rate their knowledge as good or advanced. Knowledge rises with size (46% of medium enterprises rate it good or advanced, against 11% of micro enterprises) and with exporting (26% vs 12%).

Readiness is lower still. Of the 203 enterprises with some knowledge that were asked whether they know what carbon-market readiness requires, 68 (13% of all enterprises) said yes. Only 30 enterprises (6% of all) measure their greenhouse gas emissions against defined targets, and a further 44 plan to. The 121 enterprises that answered the follow-up questions most often need technical support (54%) and financing (52%), followed by carbon-market preparation (36%), market linkages (36%), carbon accounting and verification (35%) and reporting (31%).

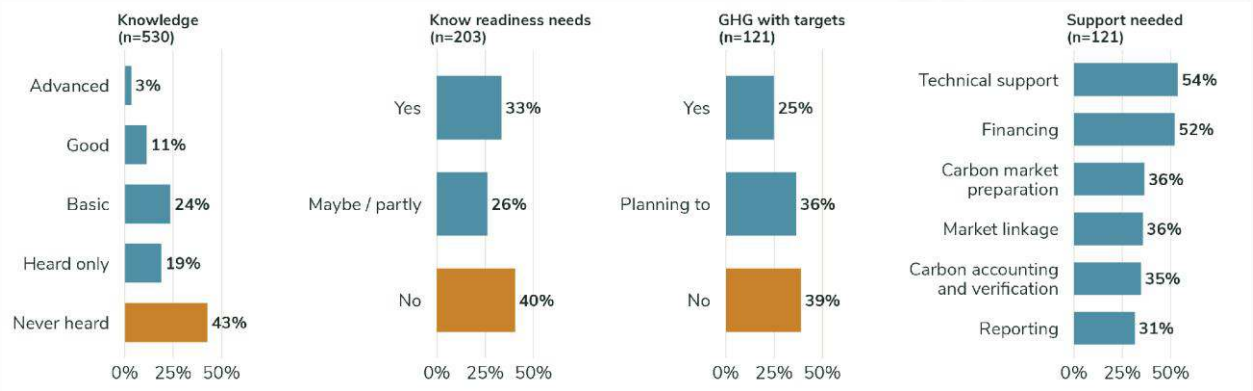


Figure 5.4: Carbon-market knowledge, readiness, GHG measurement and support needs
Source: BOI ESG survey 2026.

On the supplementary carbon-readiness indicator (Section 2.4.4), the average MSME score is 0.56 out of 3, the lowest of any measure in this report, and 74% are at the Nascent level. The survey did

not ask about actual carbon-credit sales, so participation is proxied by readiness and GHG measurement. Individual MSMEs are too small to bear the costs of measurement, verification and certification on their own; aggregation of many small projects by an anchor institution, such as solar or clean-cooking programmes bundled by a lender or DFI, will be essential if MSMEs are to benefit from the National Carbon Market Framework.

5.6 Implications for Climate Finance

Environmental action is common but narrow. Most adopters run one or two practices, and only recycling and energy efficiency show significant changes since 2025, both downwards. Very few enterprises measure their emissions, which means much of what they do cannot yet be evidenced to lenders, buyers or carbon markets. Three implications follow:

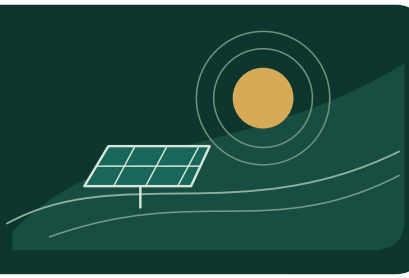
1. **Energy is the entry point.** With half of MSMEs dependent on generators, solar and hybrid finance offers a combination of lower operating costs, lower emissions and a measurable outcome (fuel displaced), which makes it the most bankable environmental investment for most MSMEs.

2. **Adaptation deserves equal weight.** Four in five enterprises are already exposed to climate events led by floods and heat. Finance and technical assistance for resilience should sit alongside mitigation products.

3. **Measurement must be built into finance.** Simple metering and record-keeping attached to green loans would let enterprises evidence their impact to lenders and, in time, to carbon markets.

CLIMATE FINANCE

From climate risk to financed action



50% use generators as a main energy source. →

Finance solar and hybrids

Reduce fuel use and operating costs. Track the fuel displaced.

79% have been affected by at least one climate event. →

Fund adaptation alongside mitigation

Back flood resilience, cooling and climate-smart agriculture.

6% measure greenhouse gas emissions against defined targets. →

Build measurement into loans

Pair green loans with metering and records for lenders and carbon markets.

Source: BOI ESG survey 2026, Chapter 5.

CHAPTER 6: SOCIAL PERFORMANCE

6.1 Labour standards

Social indicators point to the need for further intervention. Only half of MSMEs (50.6%) say they pay at least the national minimum wage, against 71% in 2025. The fall is statistically significant, but it most likely reflects two changes rather than worsening practice: the national minimum wage rose to ₦70,000 a month under the Minimum Wage (Amendment) Act 2024, and the 2026 sample contains a higher share of micro enterprises.

Compliance is closely tied to firm size and turnover (Figure 6.1). All medium enterprises in the sample pay the minimum wage, compared with two-thirds of small enterprises (66%) and four in ten micro enterprises (42%). Compliance rises with turnover, from 36% among enterprises earning less than ₦5 million a year to 96% among those earning more than ₦500 million. For many micro enterprises, the issue appears to be limited capacity to absorb a fixed wage cost while operating close to subsistence. Raising compliance will therefore depend as much on improving productivity and access to finance as on enforcement.

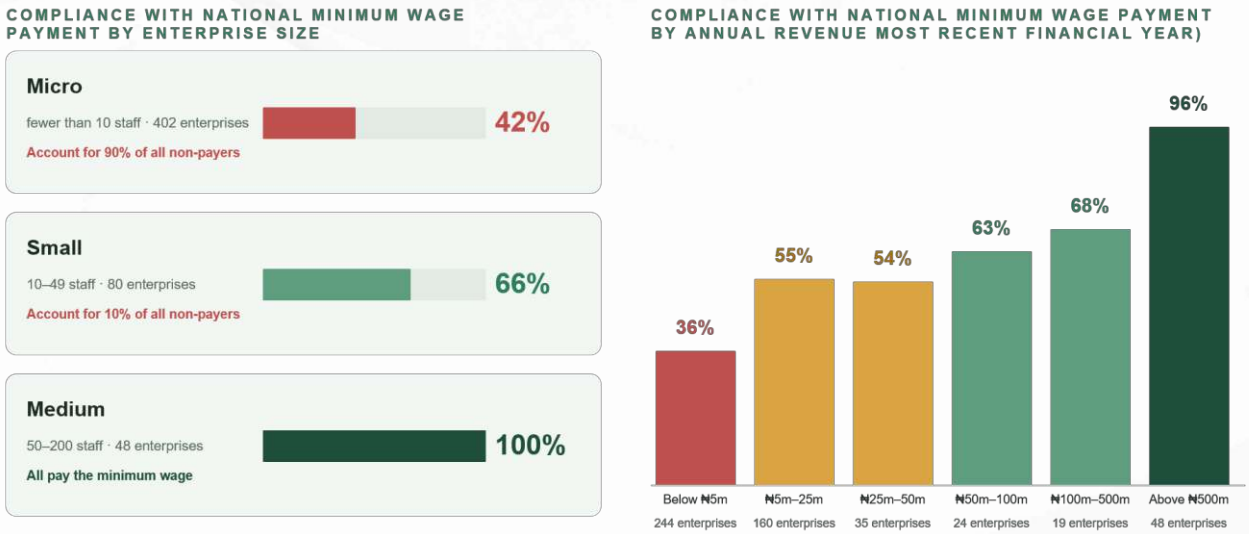


Figure 6.1: Minimum wage compliance by enterprise size and annual revenue

Source: BOI ESG survey 2026.

6.2 Worker protection and health and safety

The same size divide runs through other worker protections (Table 6.1). Only 19% of micro enterprises provide health insurance, against 92% of medium enterprises; 38% of micro enterprises give all staff formal employment contracts, against 96% of medium enterprises. Basic safeguards are common, with 73% of all enterprises having first-aid facilities, but formal protections are not: 72% provide no health insurance, and 54% do not give all staff formal contracts.

Workplace safety follows the same pattern. Two-thirds of micro enterprises (66%) have never held a fire drill, and 58% have never provided health and safety training; among medium enterprises, the figures are 2% and 4%. Reported workplace injuries in the last 12 months are higher in medium enterprises (29%) than in micro enterprises (13%), which probably reflects larger workforces, more industrial activity and better record-keeping rather than less safe workplaces.

6.3 Inclusion: youth, gender and disability

MSMEs are important youth employers. 31% of enterprises report that more than 60% of their staff are aged 18 to 35, a pattern most common among micro and small enterprises.

Gender balance is weaker. Nearly half of enterprises (48%) have a workforce that is less than 20% female; the share is highest among micro enterprises (52%) and lowest among medium enterprises (21%). Female-led enterprises are far more likely to employ women: a third (33%) have a workforce that is more than 60% female, against 6% of male-led enterprises. Supporting women-led MSMEs is therefore also a lever for women's employment.

A third of enterprises (34%) employ persons with disabilities, rising from 28% of micro to 75% of medium enterprises.

Table 6.1: Social indicators by enterprise size (% of enterprises in each size group)

Social indicator	Micro	Small	Medium
Pays at least the minimum wage	42%	66%	100%
Provides staff health insurance	19%	35%	92%
All staff on formal employment contracts	38%	54%	96%
First-aid facilities on premises	68%	86%	100%
Fire safety equipment installed	39%	72%	96%
Never held a fire drill	66%	35%	2%
No HSE training provided	58%	40%	4%
Employ persons with disabilities	28%	39%	75%
Workforce at least 20% female	48%	54%	79%
Over 60% of staff aged 18–35	32%	34%	19%
Workplace injury in the last 12 months	13%	19%	29%

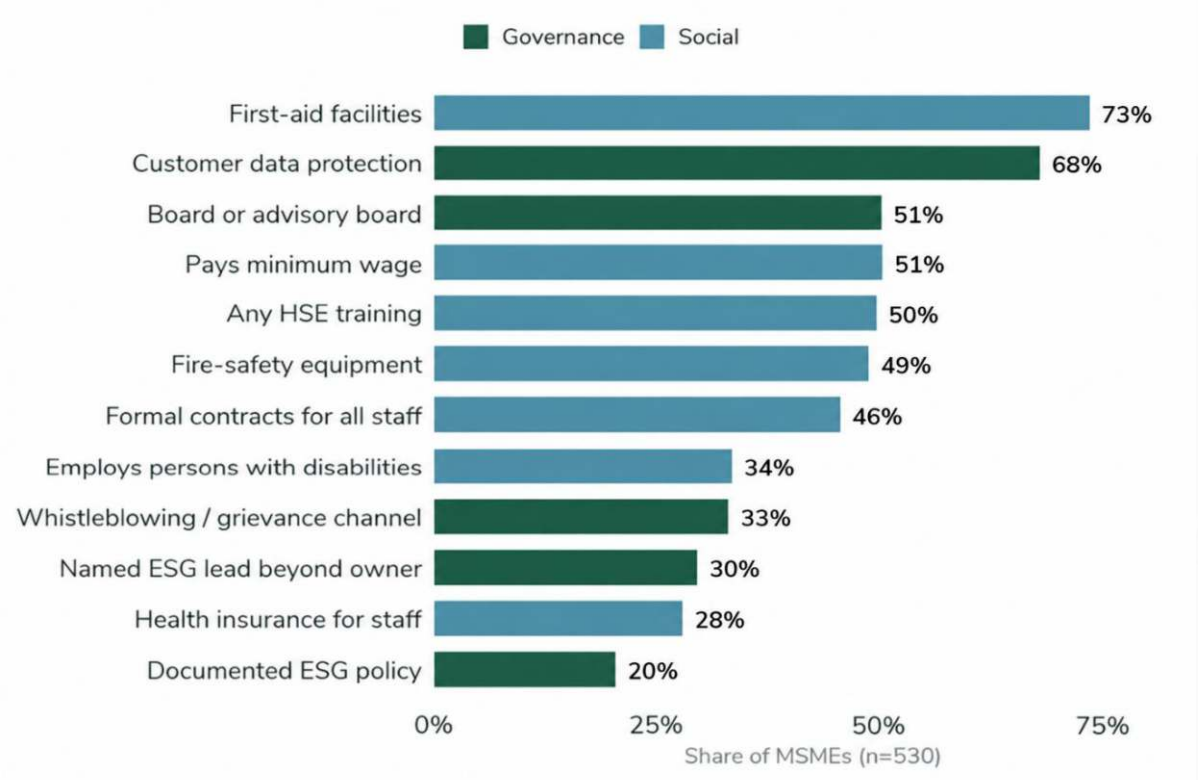


Figure 6.2: Social and governance practices across all MSMEs

Source: BOI ESG survey 2026.

6.4 Policy implications

SOCIAL PERFORMANCE

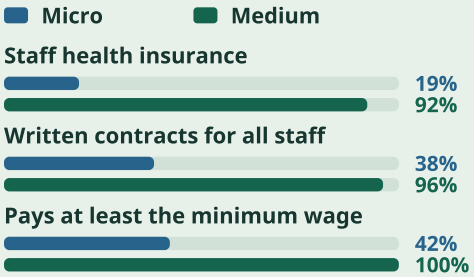
Raising social standards in MSMEs

Three policy levers for safer, more inclusive work.

01 Fund formal worker protections

Health insurance, written contracts and minimum-wage compliance are fixed costs that micro enterprises struggle to carry.

SHARE OF ENTERPRISES



POLICY RESPONSE

Concessional finance

Link to verifiable improvements

Written contracts for all staff or group health insurance through an association.

Raise standards while keeping firms formal.

02 Deliver low-cost safety training

66% never held a fire drill

58% never provided HSE training

Among micro enterprises

Templates and association-led sessions

- Fire drills
- HSE induction
- First aid

03 Build on existing inclusion strengths

31% of MSMEs say over 60% of staff are aged 18 to 35.

33% vs 6%

of women-led vs men-led firms have a workforce that is over 60% women.

Targeted employment finance

Channel youth and women's employment programmes through youth-intensive and women-led MSMEs.

Source: BOI ESG survey 2026, Chapter 6 and Table 6.1.

CHAPTER 7: GOVERNANCE, STRATEGY AND MATERIALITY

7.1 ESG policies and oversight

Governance is closely tied to the size of the business. One in five MSMEs (20%) has a documented ESG policy or strategy and a further 23% are developing one. Two-thirds of medium enterprises (65%) have a documented policy, against 38% of small and 12% of micro enterprises. Exporters are more than three times as likely as non-exporters to have one (49% vs 14%), reflecting the requirements of the markets they serve.

Oversight follows the same path. Across all MSMEs, the owner is responsible for ESG in 42% of enterprises and no one is responsible in 28%. In 80% of micro enterprises responsibility sits with the owner alone or with no one, whereas in medium enterprises it sits with management (54%) or a dedicated ESG officer, committee or board (40%).

7.2 Board structures, whistleblowing and data protection

Half of MSMEs (51%) have a board or advisory structure, rising from 42% of micro enterprises to 96% of medium enterprises. Customer data protection procedures are common (68%), reflecting the obligations of the Nigeria Data Protection Act 2023, but only a third (33%) have a whistleblowing or grievance mechanism: 25% of micro, 43% of small and 85% of medium enterprises.

7.3 Integration of ESG into business decisions

For most MSMEs, ESG is not yet part of how the business is run. 44% say ESG is not integrated into their decisions and 16% that integration is limited; 28% report moderate integration and only 13% strong or full integration. Nearly half of medium enterprises (46%) say ESG is strongly or fully integrated into their decisions and 48% use targets to drive ESG performance, against 7% and 6% of micro enterprises.

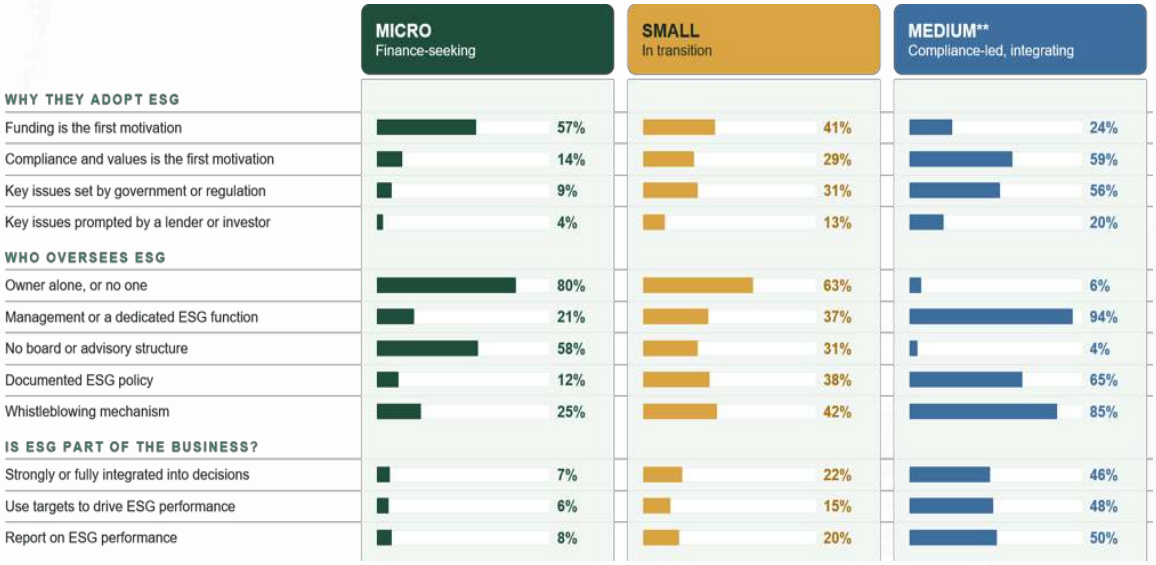


Figure 7.1: ESG motivations, oversight and integration by enterprise size

Source: BOI ESG survey 2026.

7.4 What motivates governance: from finance to compliance

Motivations differ systematically by size. Micro enterprises see ESG mainly as a route to finance: 57% rank funding as their first motivation. Medium enterprises are driven more by compliance and values, ranked first by 59%, and half of them (52%) identified their material issues in response to government or regulatory requirements, against 8% of micro enterprises. Small enterprises sit in between.

The pattern may reflect a progression. ESG starts as a means of accessing finance; as the business grows, it becomes a compliance requirement; and compliance in turn embeds ESG practice into how the business is run. Public policy can accelerate each step: by linking finance to simple ESG requirements for micro enterprises, and by clarifying and phasing compliance obligations for small and medium enterprises ahead of 2030.

7.5 Material issues and targets

For the first time, and as a precursor to sustainability reporting requirements, the survey asked enterprises which sustainability issues matter most to their business. The results are encouraging on the surface. 63% say they have identified their most important issues and a further 23% are in the process. Almost half (48%) link these issues to specific goals or targets, and a further 23% do so to some extent; 41% review them annually.

Staff welfare and health and safety is the most frequently named priority (47%), followed by product and service quality (38%), energy and emissions (34%), community impact (33%) and waste management (31%). Medium enterprises name more issues and are three times as likely as micro enterprises to prioritise energy and emissions (Figure 7.2).

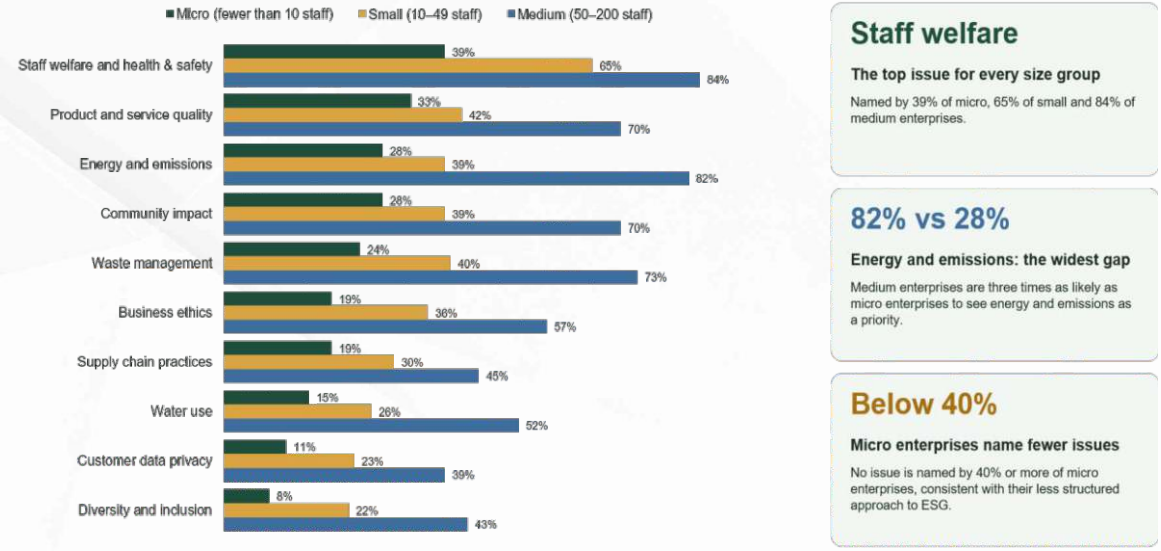


Figure 7.2: Sustainability issues identified as most important, by enterprise size

Source: BOI ESG survey 2026

Encouragingly, 29% of enterprises already consider both how sustainability issues affect their business and how their business affects the environment and community, the "double materiality" perspective; 38% consider only the financial effect on the business, 13% only their impact, and 13% have not thought about it. IFRS S1/S2 require the financial perspective, so most MSMEs already start from the right place for future reporting.

Materiality identification is, however, informal and inward-looking (Figure 7.3). Half of enterprises (48%) identified their issues using internal sources only: their own judgement, their staff or the experience of other businesses in their sector. A quarter (24%) relied on personal judgement alone. Only a third (32%) drew on outside input from customers, communities, regulators or lenders, and just 6% did so because a lender or investor asked, rising from 3% of micro to 19% of medium enterprises. Finance is not yet driving ESG thinking at the firm level.



Figure 7.3: How enterprises identified their material sustainability issues

Source: BOI ESG survey 2026

To identify and prioritise their issues, 52% of enterprises want simple guidance or examples, 45% support from an adviser or consultant, 35% templates or checklists and 26% examples of what similar businesses in their sector prioritise. These are low-cost interventions that can be delivered at scale through an ESG Maturity Toolkit.

CHAPTER 8: ESG REPORTING AND DISCLOSURE READINESS

Measurement and reporting is the weakest dimension of MSME ESG maturity, and it is the one that matters most for access to finance and for the 2030 reporting deadline. This chapter looks at whether MSMEs report, how they monitor, and how ready they are for GRI and IFRS S1/S2.

8.1 Current reporting practice

Only 14% of MSMEs (74) report on their ESG performance, and a further 15% plan to do so within 12 months; 72% do not report. Reporting rises sharply with size: 8% of micro, 20% of small and 50% of medium enterprises report (Figure 8.1). Medium enterprises are 9% of respondents but a third of those who report.

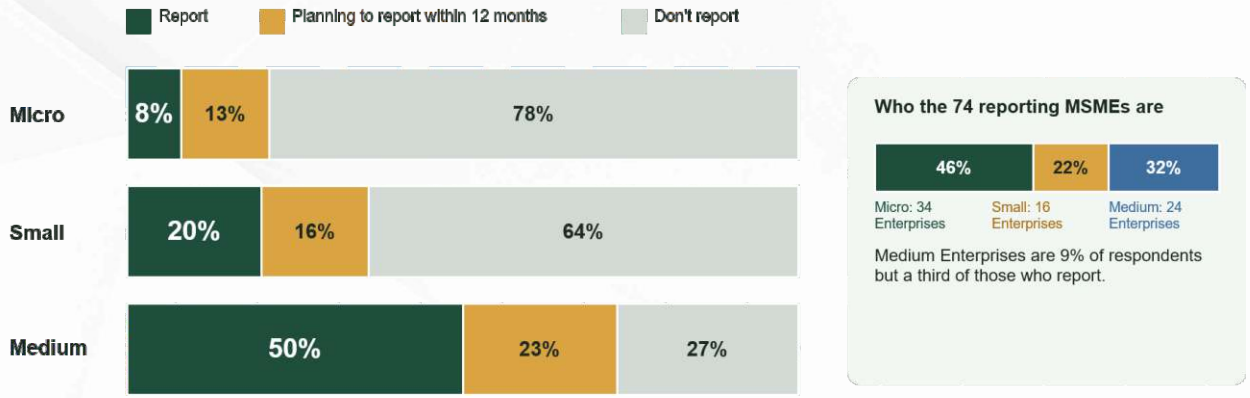


Figure 8.1: ESG reporting by enterprise size

Source: BOI ESG survey 2026.

Among enterprises that report, internal reports are the most common channel (55%), followed by annual reports (39%) and stand-alone sustainability reports (39%); 15% report to investors and 7% on their websites. Medium enterprises use formal, outward-facing channels far more than micro enterprises: 58% of medium reporters include ESG in an annual report and 54% produce a sustainability report, against 26% and 29% of micro reporters.

8.2 Monitoring practice

Reporting depends on monitoring, and half of MSMEs (51%) do not monitor ESG performance at all; a further 21% monitor only informally. Structured tools are rare: 11% use dashboards, 11% spreadsheets and 11% consultants, and 5% use third-party assurance. Among enterprises that monitor anything, the most frequently tracked indicators are training (40%), staff welfare (35%), waste (28%), energy (25%) and compliance (24%); only 5% track greenhouse gas emissions.

8.3 Familiarity with and adoption of reporting standards

Two in three MSMEs (66%) are not familiar with any sustainability reporting framework (Figure 8.2). Among the 34% that are familiar with at least one, the Global Reporting Initiative (GRI) is the best known (58% of those familiar; 19% of all MSMEs), followed by IFRS S1 (16%) and IFRS S2 (8%).

Adoption is low. 4% of MSMEs have fully adopted GRI or IFRS S1/S2, and 5% have partly adopted them; 17% plan to adopt, 9% are aware but have no plans and 64% are not aware. Medium enterprises are furthest ahead: 31% have fully or partly adopted a framework, against 6% of micro enterprises.

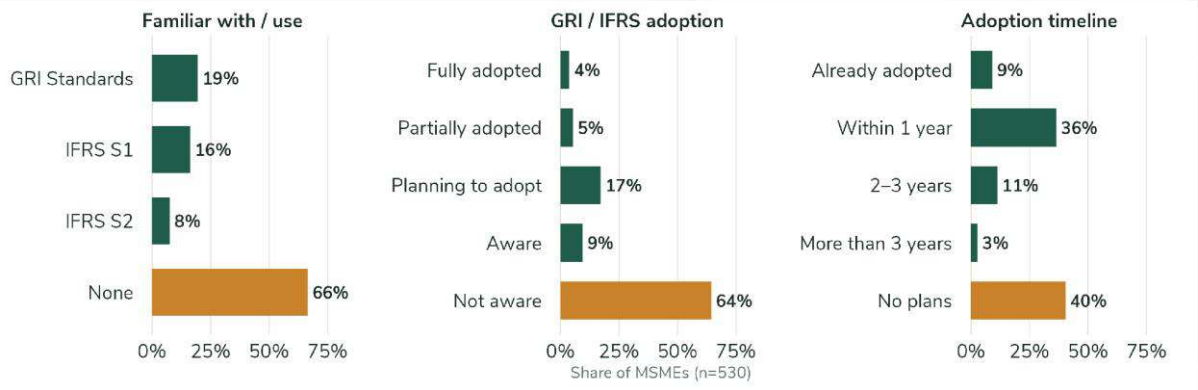


Figure 8.2: Familiarity with reporting standards, adoption of GRI or IFRS S1/S2, and adoption timeline
Source: BOI ESG survey 2026.

Stated timelines are optimistic. 36% of MSMEs say they will adopt a framework within a year, including 85 enterprises that are not yet aware of the standards; 40% have no plans. These answers are best read as intent rather than readiness.

8.4 Disclosure readiness

On the supplementary disclosure-readiness indicator (Section 2.4.4), the average MSME scores 0.77 out of 3, against 1.29–1.49 for the environmental, social and governance pillars. Half of MSMEs (52%) are at the Nascent level and only 6% are Leading. Scores rise from 0.63 for micro enterprises to 0.93 for small and 1.67 for medium enterprises.

8.5 Implications for the 2030 reporting horizon

Under the FRC's amended roadmap, SMEs with turnover up to ₦500 million and total assets up to ₦200 million come into mandatory IFRS S1/S2 reporting from 2030, and larger enterprises are treated as public interest entities with obligations from 2028. In this sample, 48 enterprises report revenue above ₦500 million and therefore fall outside the SME definition; depending on their size and status, some may come into scope earlier than 2030.

MSMEs in the supply chains of listed companies and banks will feel the pull first, as their customers and lenders begin to collect data for their own disclosures. The practical bridge is a simplified MSME disclosure template: a short set of indicators (energy use and source, waste, water, staff numbers and protections, governance basics) that maps to IFRS S1/S2 and the GRI SME guidance, that lenders accept in place of bespoke questionnaires, and that can be completed with a spreadsheet. Building this capability over 2027–2029 would give MSMEs three reporting cycles of practice before obligations begin.

CHAPTER 9: THE MSME ESG MATURITY INDEX

The 2025 edition called for a national ESG adoption index to track progress, identify the enterprises that most need support and target interventions. This chapter presents the first results. Because 2026 is the baseline year (Year 0), the figures here are the benchmark against which future editions will measure change.

9.1 Overall score and distribution

All 530 MSMEs were scored. The national average is **1.32 out of 3** (median 1.27), placing the typical respondent at the **Emerging** level. The distribution is weighted towards the lower levels, with a long upper tail (Figure 9.1): 19% of MSMEs are Nascent, 46% Emerging, 26% Developing and 10% (51 enterprises) Leading. Two in three MSMEs therefore sit below the Developing level.

Because respondents are mainly formal, finance-connected BOI customers, the national average for all Nigerian MSMEs is likely to be lower.

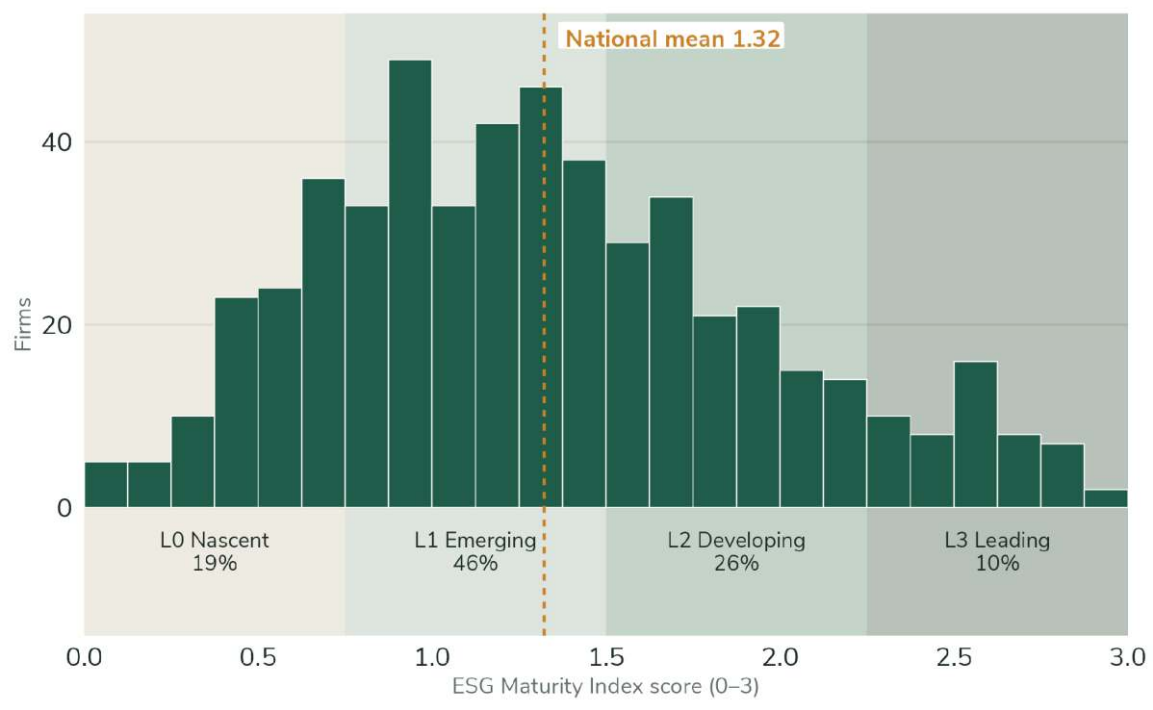


Figure 9.1: Distribution of ESG Maturity Index scores and maturity levels

Source: BOI ESG survey 2026.

Table 9.1: Maturity levels of surveyed MSMEs

Level	Score range	Share of MSMEs	Typical profile
Nascent	< 0.75	19.1% (101)	Unaware of ESG; informal practice; no policy, monitoring or reporting
Emerging	0.75 – 1.49	45.7% (242)	Some practice (often energy or waste); owner-led; little documentation
Developing	1.50 – 2.24	25.7% (136)	Policies in place or in development; issues linked to targets; some monitoring
Leading	≥ 2.25	9.6% (51)	Documented strategy; structured oversight; monitoring and reporting in place

Note: Number of enterprises in brackets.

9.2 Scores by dimension

Each of the six dimensions is scored on the same 0–3 scale (Figure 9.2 and Table 9.2). The pattern is clear: MSMEs are much better at saying what matters than at proving what they do.

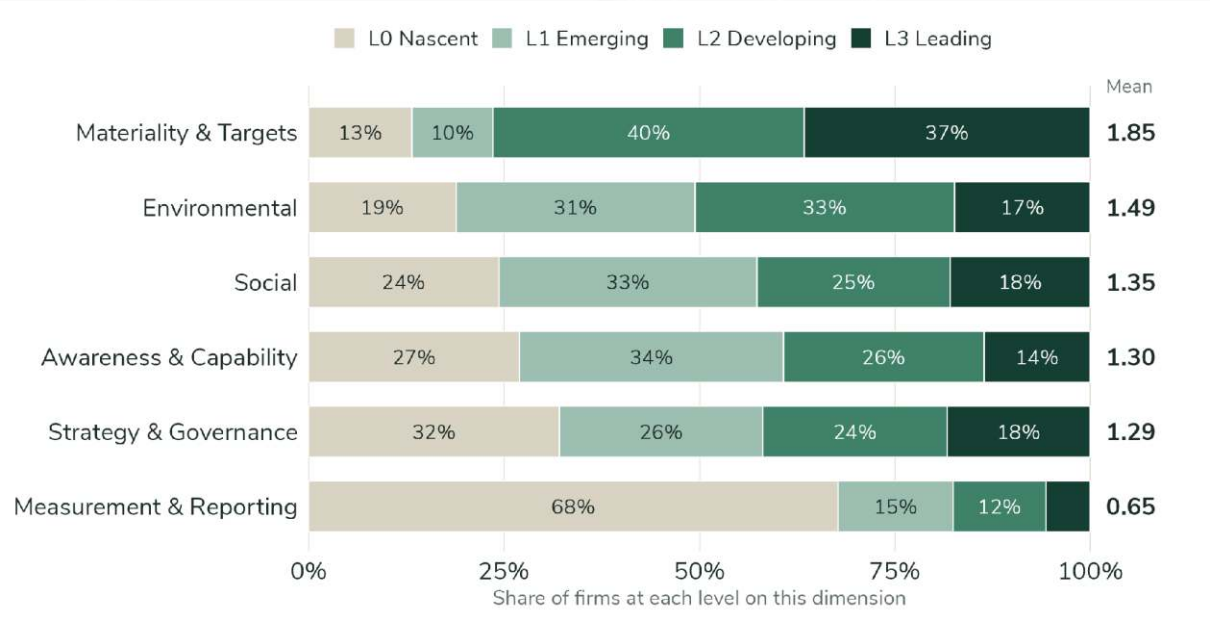


Figure 9.2: Share of MSMEs at each maturity level, by dimension, with mean dimension scores

Source: BOI ESG survey 2026.

Table 9.2: Maturity by dimension

Dimension	Mean score	% at Nascent	% at Developing or above
Materiality & Targets	1.85	13%	76%
Environmental	1.49	19%	51%
Social	1.35	24%	43%
Awareness & Capability	1.30	27%	39%
Strategy & Governance	1.29	32%	42%
Measurement & Reporting	0.65	68%	18%

1. **Materiality & Targets scores highest but rests on the weakest evidence.** This dimension is based mainly on what MSMEs say. 63% say they have identified the issues that matter most and nearly half say those issues are linked to targets. But, as Section 7.5 shows, half identify issues using only internal sources, only 11% use targets to drive ESG performance and half have no means of tracking it. The score reflects intent more than practice.

2. **Environmental and social practices are common but basic.** Seven in ten enterprises implement environmental practices, but only 12% have three or more in place and fewer than half use clean energy. Two-thirds say they monitor their environmental impact, though mostly informally. On social practice, first aid is common, but only half pay at least the minimum wage, fewer than half issue formal contracts to all staff and only 28% provide health insurance.

3. **Knowledge and structures are limited.** 68% have heard of ESG but only 43% understand it at a basic level or better, and 14% have had training. One in five has a documented ESG policy and 13% say ESG is strongly built into business decisions. Governance is also the most polarised dimension: most MSMEs have either nothing in place or fairly solid structures, with few in between.

4. **Measurement & Reporting is the weakest of all.** Two in three enterprises are at the lowest level on this dimension. Half do not monitor ESG at all and a further fifth do so only informally; 14% report on ESG performance and fewer than one in twenty uses a recognised framework in full.

The evidence gap between stated priorities and documented practice is the main barrier between MSMEs and ESG-linked finance. The fastest gains are therefore likely to come from simple, low-cost tools for recording and reporting ESG data; from converting stated priorities into a small number of tracked targets; and from basic training that deepens understanding beyond awareness.

Supplementary view: disclosure and carbon readiness

Regrouping the scores around the five areas named in the survey objectives shows that the two forward-looking capabilities trail every ESG pillar (Figure 9.3). Disclosure readiness averages 0.77 (52% Nascent) and carbon-market readiness 0.56 (74% Nascent), against 1.29–1.49 for the environmental, social and governance pillars. These indicators are reported alongside, not as part of, the official six-dimension Index.

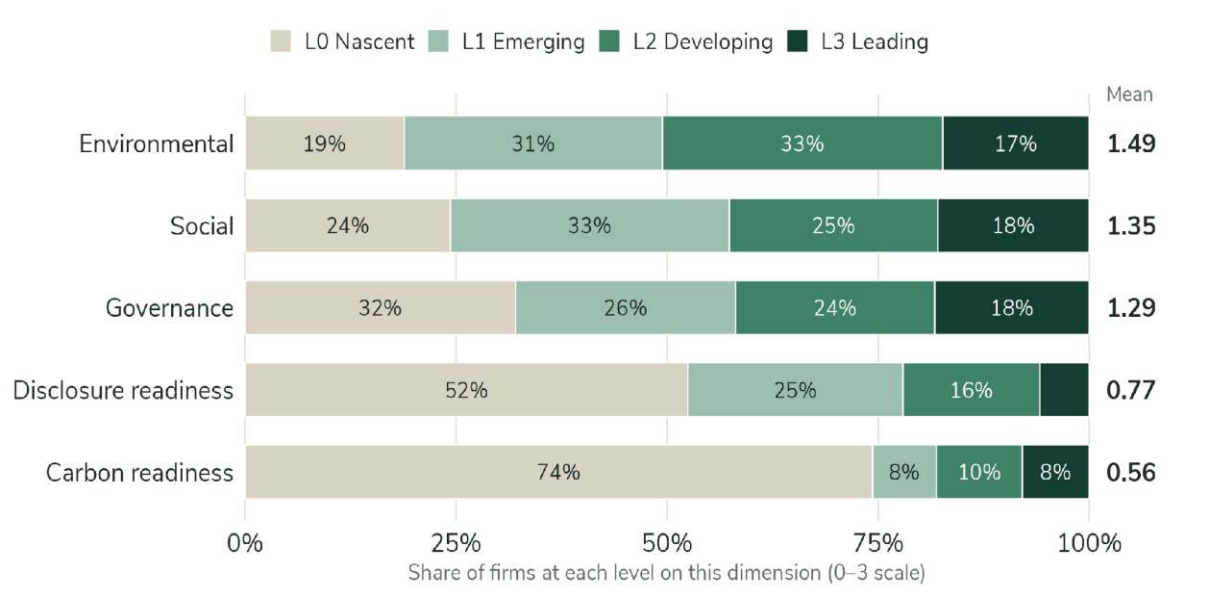


Figure 9.3: Objective-aligned view: environmental, social, governance, disclosure and carbon readiness

Source: BOI ESG survey 2026.

9.3 Enterprise size defines maturity

The size of an enterprise is the clearest dividing line in ESG maturity. Average scores rise from 1.15 for micro to 1.54 for small and 2.37 for medium enterprises (Figure 9.4). Enterprises with up to five employees score an average of 1.10 and those with more than 100 employees score 2.47. Revenue shows the same pattern, because it closely tracks size: scores rise from 1.10 for enterprises earning below ₦5 million to 2.32 for those earning above ₦500 million.

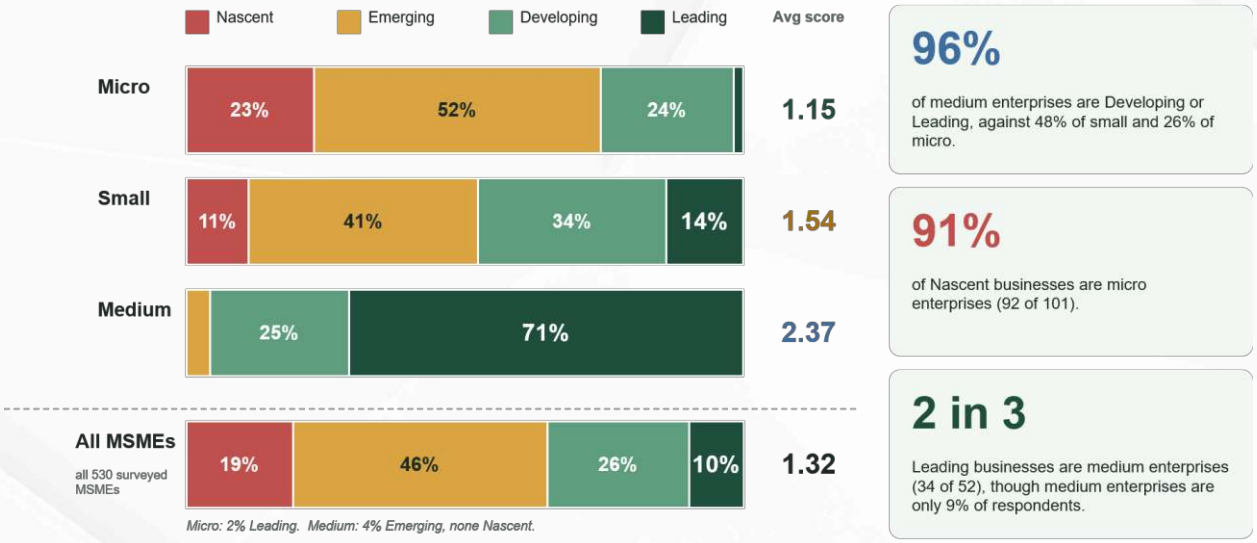


Figure 9.4: ESG maturity levels and average score by enterprise size

Source: BOI ESG survey 2026.

91% of Nascent enterprises are micro enterprises (92 of 101), while two-thirds of Leading enterprises (33 of 51) are medium enterprises, even though medium enterprises make up only 9% of respondents. The gap runs through every dimension: medium enterprises outscore micro enterprises by more than a full point on five of the six dimensions.

9.4 What drives maturity

Simple comparisons show steep gradients by size, revenue, export orientation and prior engagement with BOI (Figure 9.5). Because these characteristics overlap (larger firms export more, and the South West has more large firms), a regression was used to separate their effects (Figure 9.6).

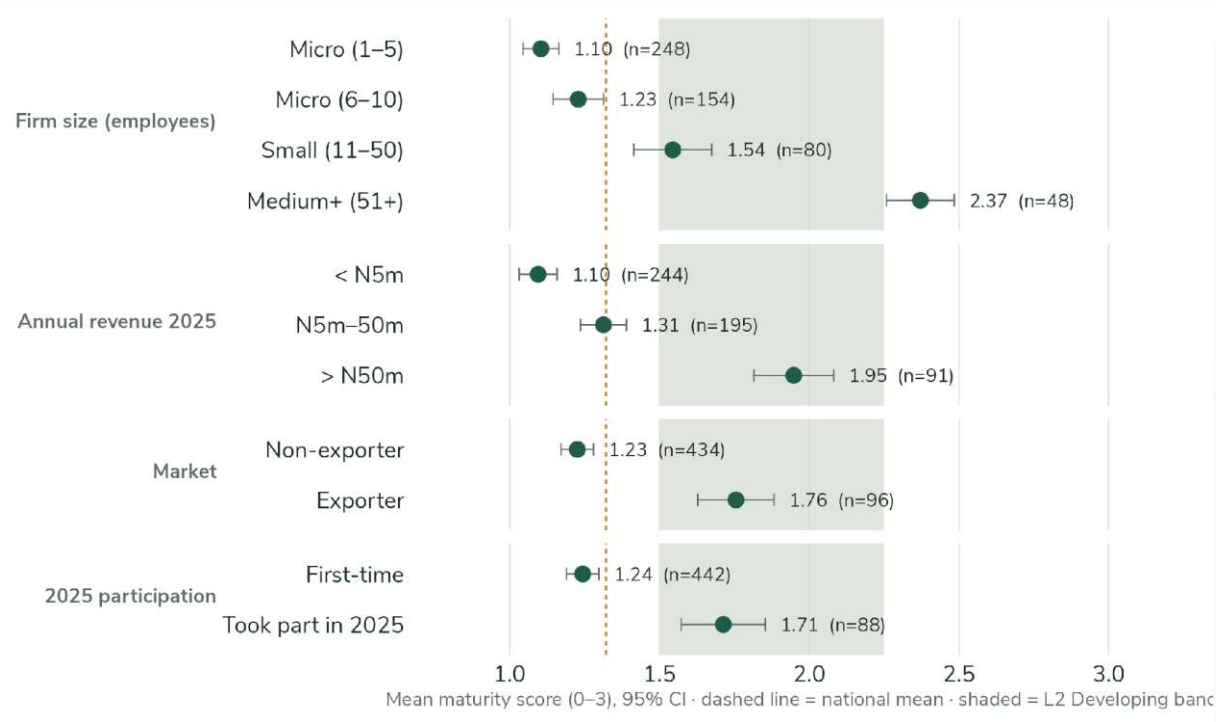


Figure 9.5: Mean maturity score by firm size, revenue, market orientation and 2025 participation (95% confidence intervals)

Source: BOI ESG survey 2026.

Holding other factors constant:

- **Scale matters most.** Firms with 51 or more staff score 0.91 points higher than firms with one to five staff, and firms with 11–50 staff 0.28 points higher. Revenue adds a further 0.15–0.20 points.
- **Export orientation matters.** Exporters score 0.28 points higher than otherwise similar non-exporters, consistent with buyer and market pressure.
- **Engagement with BOI matters.** Enterprises that took part in the 2025 assessment score 0.32 points higher than otherwise similar first-time respondents.
- **Location, sector and promoter characteristics do not.** Once size, revenue and exporting are controlled, zone, sector, promoter gender, age and education and years of operation add nothing significant, with one borderline exception (wholesale and retail +0.13).

Together these factors explain 43% of the variation in scores. An ordered logit model on the four maturity levels gives the same picture: exporters have 2.9 times and 2025 participants 3.1 times the odds of being at a higher level. These are associations, not proof of cause and effect, but they indicate where support is most likely to make a difference.

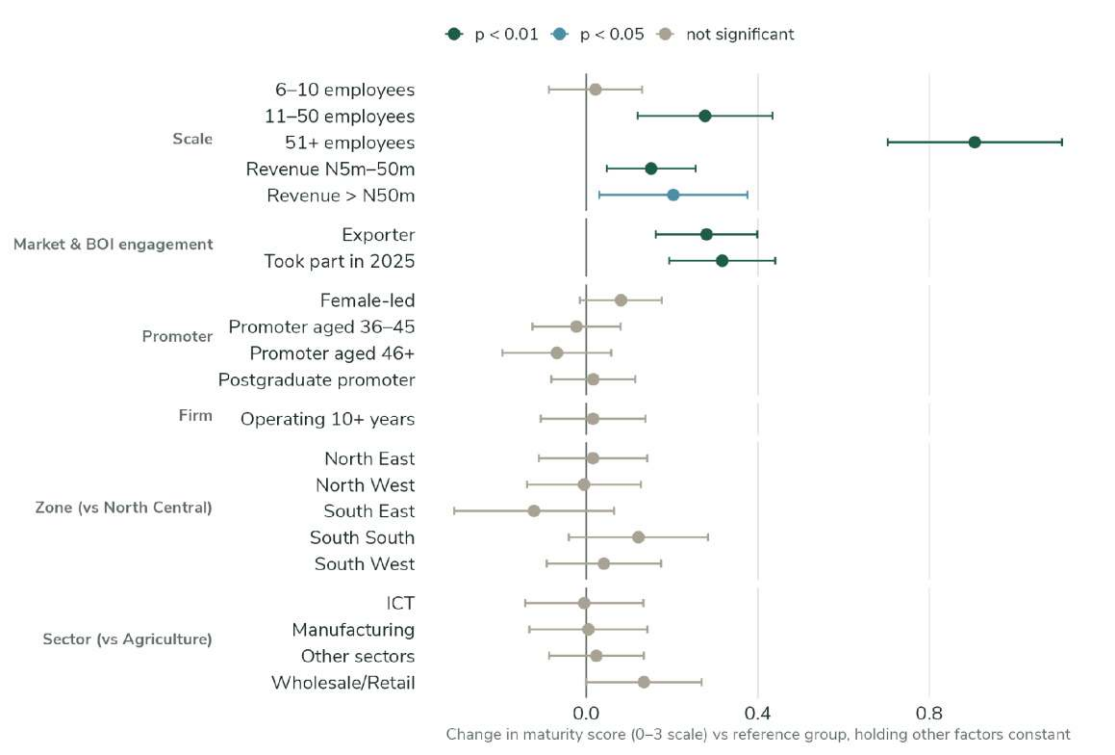


Figure 9.6: Drivers of ESG maturity: change in maturity score relative to the reference group, holding other factors constant

Source: OLS regression, robust standard errors based on BOI ESG survey 2026.

9.5 Regions: the gap is mostly about firm size

The South West (1.61) and South South (1.57) appear most advanced, followed by the North East (1.30), North West (1.20), North Central (1.20) and South East (1.12) (Figure 9.7). The South West stands out on training (37%) and reporting (25%), and the South South has the highest share of enterprises at Developing or above (53%).

	Heard of ESG	Basic+ understanding	Staff trained	Env. practices	ESG policy	Reports ESG	Maturity L2+
South West (1.61)	75%	57%	37%	88%	34%	25%	48%
South South (1.57)	74%	45%	13%	79%	30%	17%	53%
North East (1.30)	71%	42%	8%	73%	20%	14%	32%
North West (1.20)	64%	39%	8%	62%	15%	7%	28%
North Central (1.20)	63%	37%	9%	70%	13%	10%	28%
South East (1.12)	70%	42%	7%	62%	16%	14%	35%

Figure 9.7: Selected ESG indicators by geopolitical zone (zone mean score in brackets)
Source: BOI ESG survey 2026.

These differences largely reflect the mix of enterprises in each zone. Small and medium enterprises make up 45% of South West respondents but only 9% in the South East, and medium enterprises alone make up 30% of the South West sample and none in the South East. Comparing like with like narrows the gap: among micro enterprises alone, zone scores range only from 1.05 (South East) to 1.29 (South South), against 1.12 to 1.61 overall, and once size, revenue and exporting are controlled, zone has no significant effect (joint $p = 0.42$).

A micro enterprise in Lagos is at much the same stage as one in Kano or Enugu. The South West ranks first because more of its respondents are larger, older and export-oriented businesses, not because its enterprises are further ahead size for size. Micro enterprises therefore need support irrespective of region. Regional focus still matters for which issues enterprises tackle (flooding in the south, heat in the north, generator dependence in the south), but not for how far along they are.

9.6 Sectors

Sectors tell the same story (Figure 9.8). Manufacturing (1.52), health and social work (1.50) and the creative industries (1.43) score above the national average, while agriculture (1.22) and ICT (1.13) trail. The raw differences are statistically significant ($p = 0.001$), but half of manufacturing respondents (49%) are small or medium enterprises, against one in six in agriculture (16%) and one in nine in ICT (11%). Once size, revenue and exporting are controlled, sector no longer matters.

Agriculture is nonetheless a priority for volume: it is the largest group of respondents (171), scores below average and, as Chapter 5 shows, is the sector most exposed to climate events.

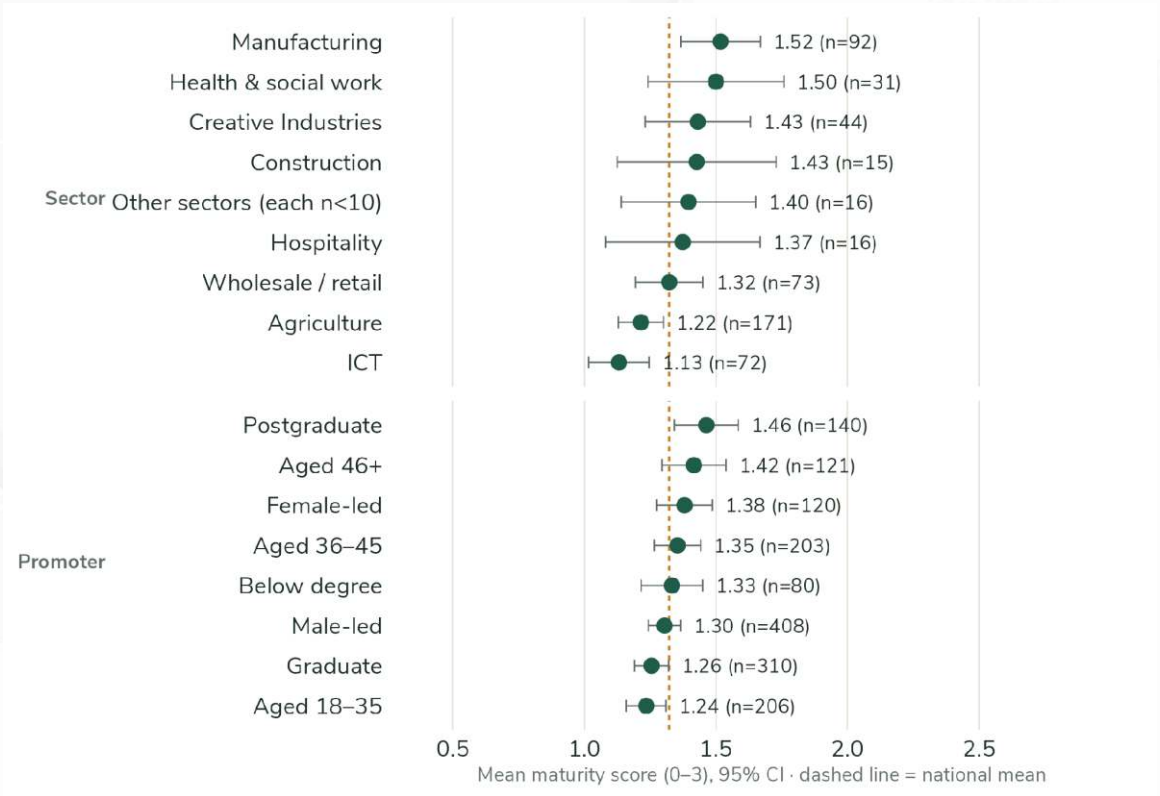


Figure 9.8: Mean maturity score by sector and promoter characteristics (95% confidence intervals)
Source: BOI ESG survey 2026.

9.7 Exporters, gender and promoter characteristics

9.7.1 Exporters are ahead at every business size

Exporters score 1.76 against 1.23 for non-exporters, and 68% of exporters are at Developing or above. The gap holds within every size group (Figure 9.9). Among micro enterprises, exporters score 1.44 against 1.11, and 52% of micro exporters are at Developing or above, against 22% of micro non-exporters. This reinforces the view that buyer and market requirements push enterprises to adopt ESG.

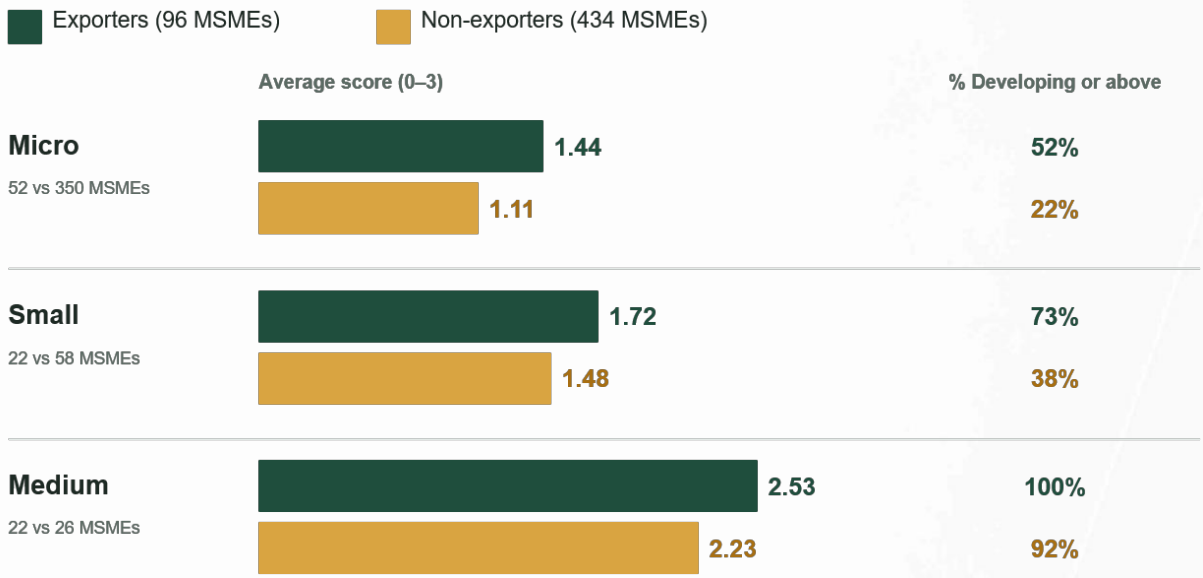


Figure 9.9: ESG maturity of exporters and non-exporters, by enterprise size
Source: BOI ESG survey 2026.

9.7.2 Gender: female-led MSMEs are slightly ahead, but the difference is small

Female-led enterprises (23% of respondents) score slightly higher than male-led enterprises (1.38 vs 1.30), and more of them are at Developing or above (40% vs 34%). The gap holds among micro enterprises (1.20 vs 1.14), where most female-led enterprises sit. Among small enterprises it looks larger (1.75 vs 1.51) but rests on only 13 female-led firms; among medium enterprises, male-led firms are marginally ahead. After controlling for size and other factors the female-led premium (+0.08) is not statistically significant.

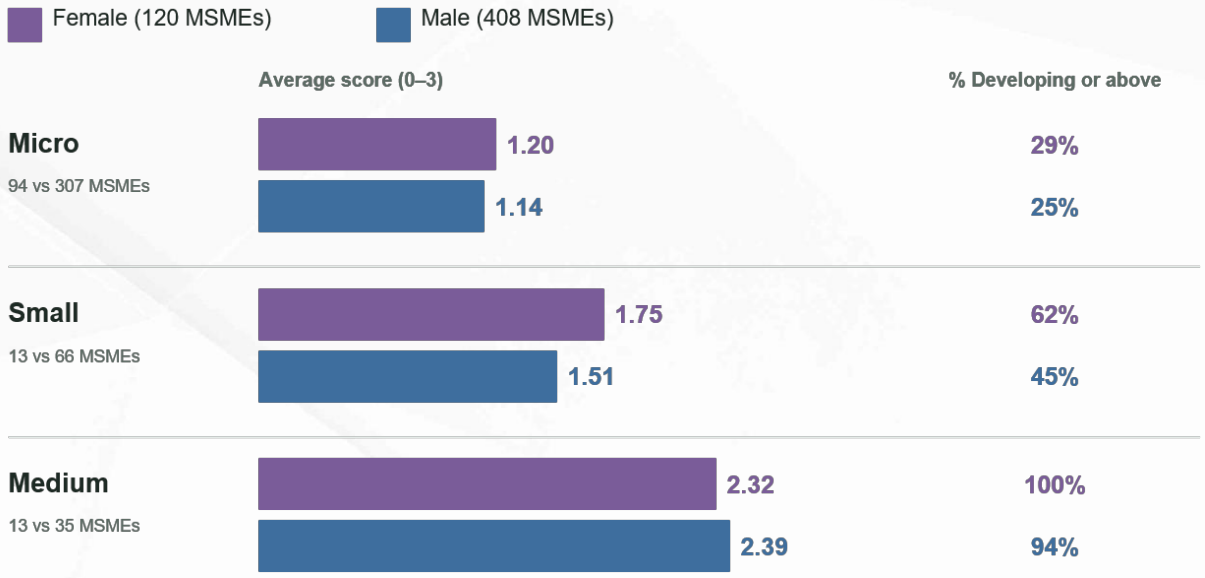


Figure 9.10: ESG maturity by gender of promoter and enterprise size
Source: BOI ESG survey 2026.

9.7.3 Age and education

Scores rise modestly with promoter age (from 1.24 for promoters aged 18–35 to 1.61 for those over 60) and are slightly higher for postgraduate promoters (1.46), but the ranges across age and education groups overlap and the differences disappear once firm characteristics are controlled.

9.8 Returning respondents: the 2025 exercise planted a seed

The 88 enterprises that took part in the 2025 assessment score 1.71, against 1.24 for first-time respondents, and 60% of them are at Developing or above, against 30% of first-timers. The clearest difference is in awareness: only 5% of returning enterprises have never heard of ESG, against 37% of first-timers, and their Awareness & Capability score is 0.88 points higher. Measurement & Reporting is also higher (+0.44). The gap holds at every enterprise size and remains significant (+0.32) after controlling for size, revenue, exporting and other factors.

77% of returning enterprises (68 of 88) report at least one ESG change since 2025, most often more environmental initiatives (59%), staff training (32%), governance improvements (32%), new or revised social policies (28%) or a new or revised ESG policy (27%) (Figure 9.11). The impacts they report are mostly internal: employee satisfaction (48%), higher revenue (38%) and lower costs (34%); 27% cite better access to finance and 23% have seen no impact yet.

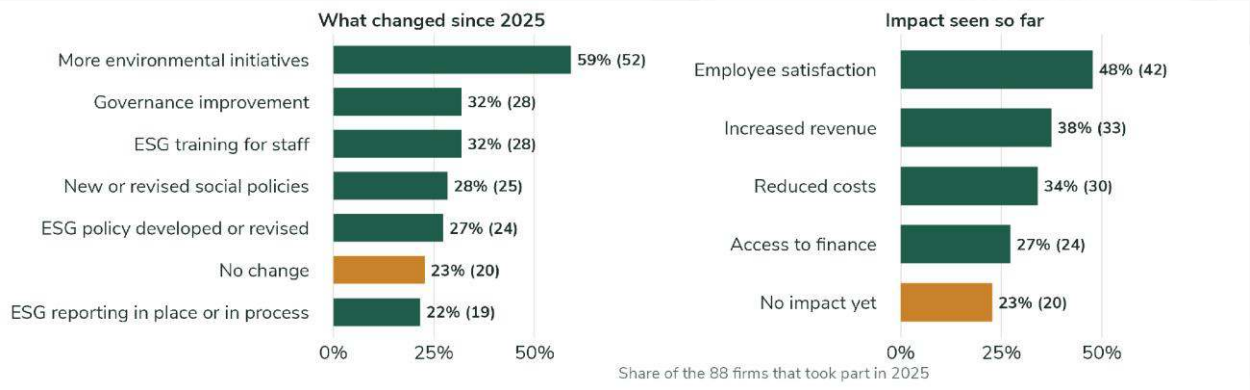


Figure 9.11: Changes made and impacts seen by enterprises that took part in the 2025 assessment
Source: BOI ESG survey 2026.

Returning enterprises may have been more engaged to begin with, so this is not proof of impact. But the results suggest that the 2025 assessment raised awareness and prompted first steps, and they support repeat engagement as a policy lever.

9.9 Maturity and business outcomes

Higher maturity goes with stronger ambition and greater demand for finance (Table 9.3). Plans to expand ESG activity in the next 12 months rise from 57% of Nascent enterprises to 87% of Leading enterprises. More mature enterprises are also more likely to have sought Green Finance: none of the 101 Nascent enterprises has applied, against 9 Emerging (4%), 10 Developing (7%) and 6 Leading enterprises (12%). The numbers involved are small, so these shares are indicative.

Financing needs grow with maturity and size. Most Nascent (95%) and Emerging (92%) enterprises need less than ₦50 million to implement their ESG plans, while 58% of Leading enterprises, most of them medium enterprises, need more than ₦50 million.

Table 9.3: Maturity and outcomes

Indicator	Nascent	Emerging	Developing	Leading
Number of enterprises	101	242	136	51
Plan to expand ESG practice (next 12 months)	57%	71%	77%	87%
Applied for or accessed Green Finance	0 (0%)	9 (4%)	10 (7%)	6 (12%)
Need less than ₦50 million for ESG plans	95%	92%	86%	42%

Note: Percentages are of enterprises answering each question. Counts of Green Finance applicants are small; shares are indicative.

CHAPTER 10: THE GREEN FINANCE GAP

This chapter examines why MSMEs adopt ESG, what holds them back and whether finance is reaching them. For the first time, it sets the MSME view alongside that of the financial institutions that lend to them, and it proposes a framework for understanding why supply and demand are not meeting.

10.1 Why MSMEs adopt ESG, and what holds them back

10.1.1 Motivations

Access to funding is the dominant reason MSMEs adopt ESG: 52% rank it first and 87% place it in their top three motivations (Figure 10.1). Customer demand follows (75% in the top three), then compliance and values (62%). Competitiveness (46%) and export requirements (31%) matter less overall, but export requirements matter much more to exporters: 49% rank them in their top three, against 27% of non-exporters. As Chapter 7 showed, funding dominates for micro enterprises (57% first), while compliance and values lead for medium enterprises (59% first).

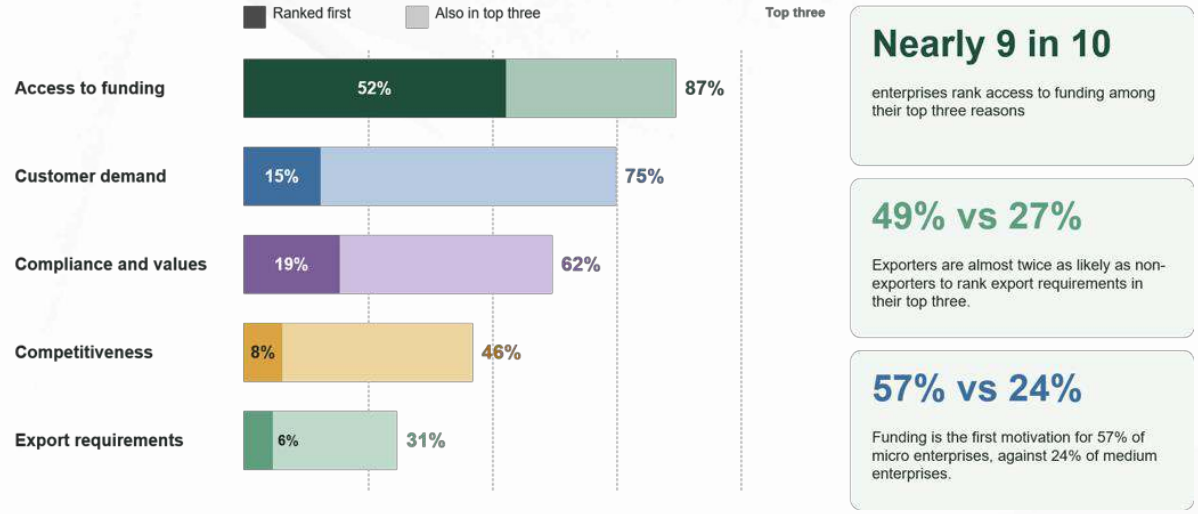


Figure 10.1: Motivations for adopting ESG (ranked first and ranked in top three)

Source: BOI ESG survey 2026.

10.1.2 Barriers

Two barriers stand out. The knowledge gap is ranked first by 39% of enterprises and in the top three by 89%; the high cost of implementation is ranked first by 38% and in the top three by 83%. Lack of incentives follows (69% in the top three). Fewer enterprises point to a lack of customer demand (41%) or say ESG is not relevant to their business (19%; only 4% rank this first), so resistance is not the problem. Micro enterprises are split almost evenly between cost (39%) and knowledge (37%) as their main barrier; for small (46%) and medium enterprises (58%), knowledge comes first.

10.1.3 How this compares with 2025

The 2025 survey asked about barriers only and used a different format (the share citing each barrier rather than a ranking), so the two years can be compared on themes but not on exact figures (Figure 10.2).

- **Funding remains central.** In 2025, limited funding was the top barrier (78%) and financial support the most-wanted form of help (85%). In 2026, cost remains a leading barrier and access to funding is the top reason to adopt ESG. Enterprises see finance as both the main obstacle and the main prize.

- **Knowledge has moved to the top.** In 2025 lack of technical expertise (65%) and limited knowledge (45%) ranked behind funding. In 2026 the knowledge gap is the most common barrier overall and level with cost as the top first choice. As more enterprises engage with ESG, know-how is becoming as big a constraint as paying for it.
- **Incentives are still missing.** Inadequate incentives were the third barrier in 2025 (52%) and remain third in 2026.
- **Market pull is real but uneven.** Low customer demand was the weakest barrier in 2025 (20%) and remains low in 2026, while customer demand is now the second-strongest motivation.

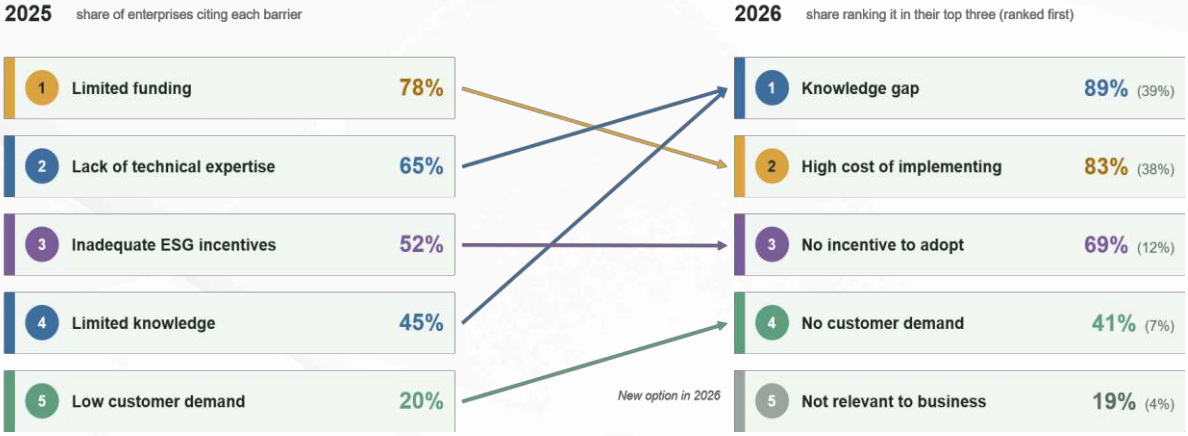


Figure 10.2: Barriers to ESG adoption, 2025 versus 2026

Source: BOI ESG survey 2025 (share citing) and 2026 (share ranking in top three; ranked first in brackets)

> Note. A change in the survey question prevents direct comparison of the 2025 and 2026 barrier figures. The 2025 survey asked respondents to cite barriers. The 2026 survey asked them to rank them.

Capital alone will not close the gap. Finance needs to be complemented by practical know-how (simple guidance, training and tools) and by incentives that reward enterprises for taking the first steps.

10.2 The demand side: MSME appetite and access

Demand for Green Finance is almost universal: 99% of MSMEs want more Green Finance opportunities, 98% want sustainability reporting support, 97% want ESG training and 95% want to adopt practices such as clean energy and pollution control.

Very few have acted on it. 74% have never applied for a Green Finance instrument and 22% are not aware that any exists. Only 25 enterprises (4.7%) have applied, and only 9 (1.7%; 95% confidence interval 0.9–3.2%) have received Green Finance; 16 are still waiting. In 2025, 12% reported accessing Green Finance, but the question wording has changed and the two figures are not strictly comparable. When asked to name the instruments, several applicants named programmes or institutions rather than financial products (BOI facilities, state-government schemes, competitions such as YouthAdapt), suggesting limited understanding of what Green Finance instruments are.

Awareness of Green Finance tracks ESG awareness (Figure 10.3). Almost half (46%) of the enterprises that are unaware of Green Finance have never heard of ESG, and the share unaware falls from 32% of those who have never heard of ESG to 13–14% of those with basic or better understanding. But awareness is not the only gap. Even among enterprises with at least a basic understanding of ESG, 79% have never applied, which suggests that available Green Finance is not reaching MSMEs in proportion to their demand for it.

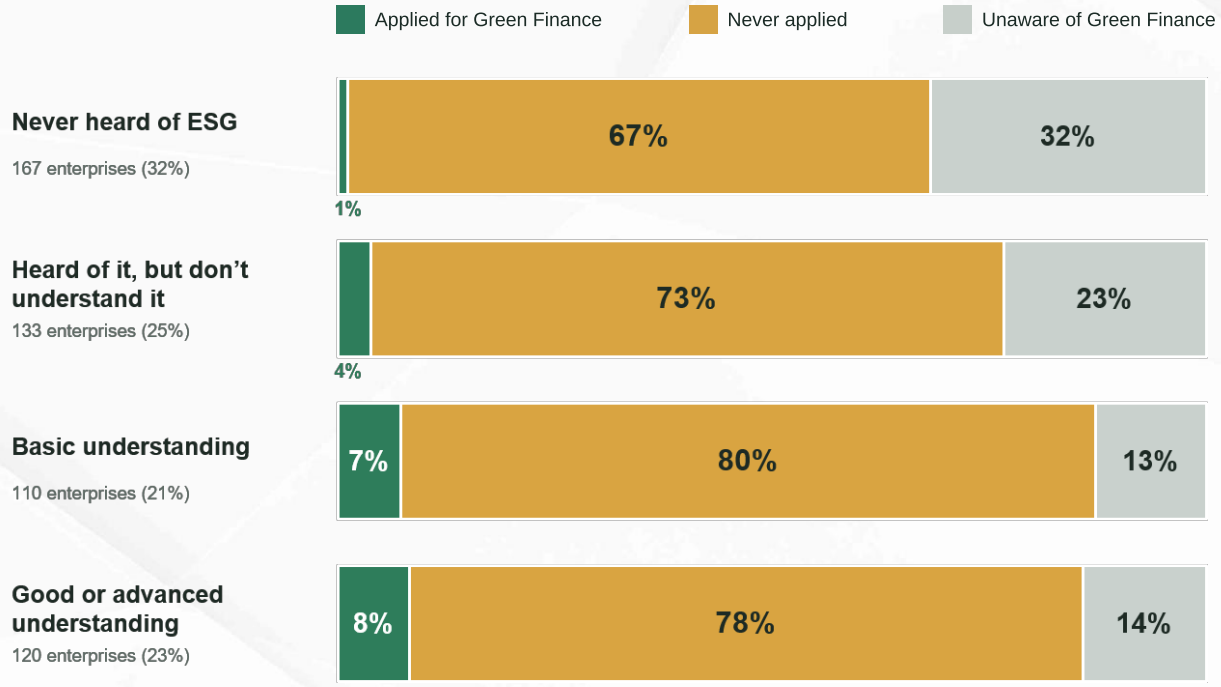


Figure 10.3: Green Finance participation by level of ESG understanding

Source: BOI ESG survey 2026.

Note. Survey wording changed, preventing direct comparison of Green Finance access in 2025 (12%) and 2026 (1.7%).

10.3 The supply side: what lenders offer

10.3.1 Products, funding and volumes

Most of the 13 responding institutions already offer green products for MSMEs: 11 of 13 do so (Figure 10.4). Sustainability-linked loans are the most common (8 institutions), followed by green loans (6), ESG-focused grants (3), blended or concessional finance (1) and equity with ESG criteria (1). Ten of the 13 have drawn on concessional or blended funding from DFIs or climate funds to support MSME ESG-linked lending.

Lending intensity is uneven. In the past 12 months, four institutions each financed more than 100 MSMEs under green products and two disbursed more than ₦1 billion; at the other end, two institutions (including one that offers green products) financed none, and one does not track green disbursements separately.

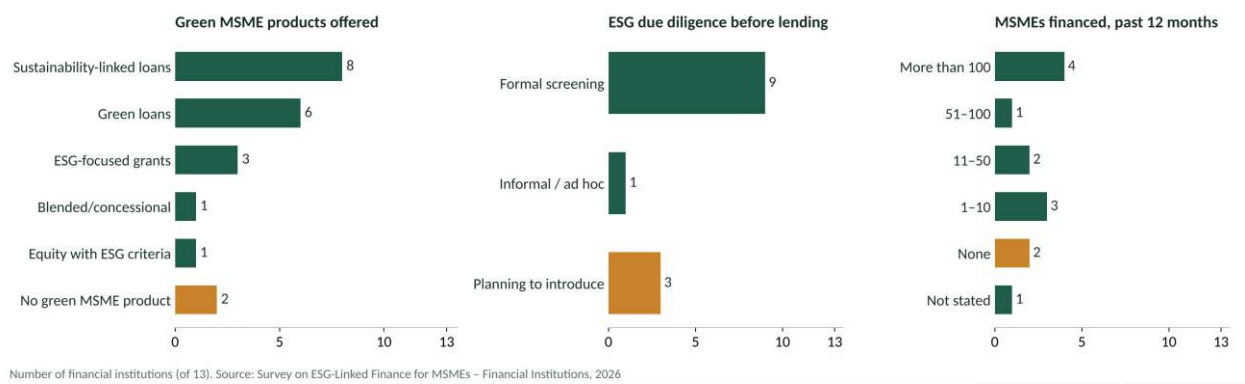


Figure 10.4: Green MSME products, ESG due diligence and MSMEs financed: financial institutions

Source: BOI ESG survey 2026.

10.3.2 ESG screening is entering credit appraisal

ESG due diligence is becoming standard. Nine of the 13 institutions screen MSMEs formally for ESG before lending, one does so informally and the remaining three plan to introduce screening. MSMEs

that cannot evidence their ESG practices will therefore increasingly struggle to pass credit screening.

10.3.3 What lenders see as barriers and solutions

Lenders' most common barrier to scaling ESG-linked finance is the limited ESG data and reporting provided by MSMEs (10 of 13), followed by perceived higher credit risk (9), the lack of a standardised ESG criteria or taxonomy (6), limited collateral (3) and the high cost of due diligence (2) (Figure 10.5). Only one cites limited MSME demand. The data barrier is the same weakness that the Maturity Index identifies as MSMEs' lowest-scoring dimension.

On product design, lenders favour lower interest rates or rate buy-downs (10 of 13), performance-linked rebates (7), longer tenors or grace periods (7), reduced collateral requirements (6) and simplified application processes (6). All 13 agree that micro enterprises need support to understand ESG requirements to access a loan, and 11 of 13 say the same of small and medium enterprises.

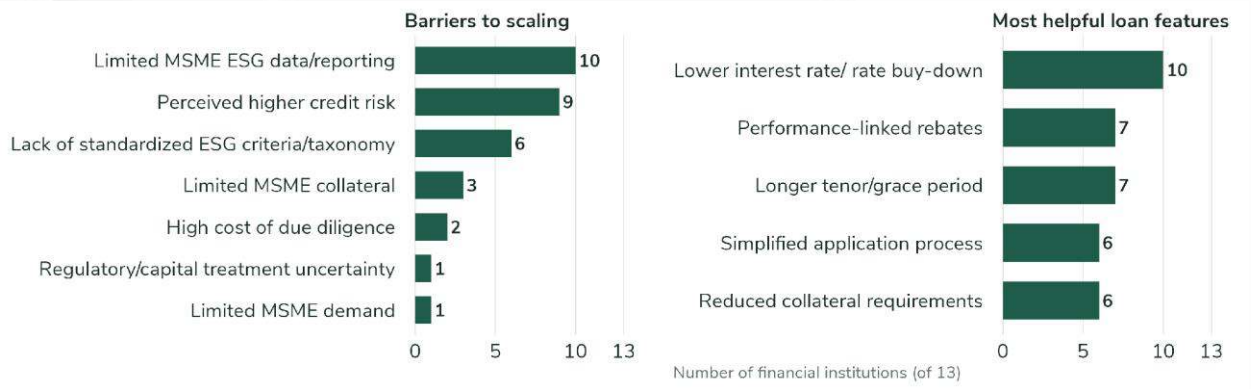


Figure 10.5: Lenders' barriers to scaling MSME ESG finance and most helpful loan features
Source: BOI ESG survey 2026.

In their open responses, lenders describe current initiatives centred on capacity building and awareness sessions for MSMEs (including one planned programme across all six geopolitical zones on ESG and IFRS adoption), new green products for MSME and retail customers, ESG screening and monitoring, and, at the wholesale level, capacity building for participating financial institutions. Asked what further interventions are needed, they most often name capacity building and "hand-holding" for MSMEs, technical assistance and advisory services, simplified ESG tools and reporting requirements, better data tracking, and easier access to lower-cost concessional funding and incentives such as tax rebates.

10.4 Why supply and demand are not meeting: a four-gap framework

Lenders have products and funds, and MSMEs want Green Finance, yet the two are not meeting: 11 of 13 lenders offer green MSME products, while 95% of MSMEs have either never applied or do not know such finance exists. The evidence points to four distinct but connected gaps (Table 10.1).

Table 10.1: The Green Finance gap: four connected gaps

Gap	Evidence	What would close it
1. Awareness gap	22% of MSMEs do not know Green Finance exists; 46% of these have never heard of ESG. Several applicants could not name a financial product.	Product information delivered through lenders, associations and FI channels; plain-language labelling of green products (for example, a solar loan is Green Finance).
2. Product reach gap	79% of MSMEs with basic or better ESG understanding have never applied. 23% of micro enterprises are unaware of Green Finance, against 10% of medium enterprises. Two lenders financed no green MSME loans last year.	Micro-ticket products; distribution through MFBs, associations and agent networks; on-lending via wholesale DFIs with reach targets.

Gap	Evidence	What would close it
3. Readiness gap	Lenders screen for ESG (9 of 13 formally) and cite perceived credit risk (9 of 13), but 65% of MSMEs are Nascent or Emerging and only 20% have an ESG policy.	Capacity building tied to finance; graduated eligibility by maturity level; risk-sharing to offset perceived credit risk.
4. Evidence (reporting) gap	Lenders' top barrier is limited MSME ESG data (10 of 13). Measurement & Reporting is the weakest Index dimension (0.65); 51% of MSMEs do not monitor ESG.	A standard, lender-accepted MSME ESG data template staged towards IFRS S1/S2; simple monitoring tools attached to loans.

A fifth factor cuts across all four: price. Cost is MSMEs' joint-top barrier and lower rates are lenders' top recommended feature, so concessional funds need to be passed through to MSMEs as visibly lower prices or performance-linked rebates.

MSMEs and lenders identify similar challenges from different perspectives (Figure 10.6). Both highlight gaps in knowledge, evidence and financing costs. However, under Green Finance, the main challenge goes beyond a lack of awareness or reporting tools. There is also a mismatch between the minimum loan sizes required by Green Finance providers and the smaller amounts of capital needed by micro-enterprises. Addressing these gaps requires better awareness of available Green Finance opportunities, simple tools to help MSMEs document their sustainable practices, and more flexible financing options, pricing and incentives that reflect the needs of smaller businesses.

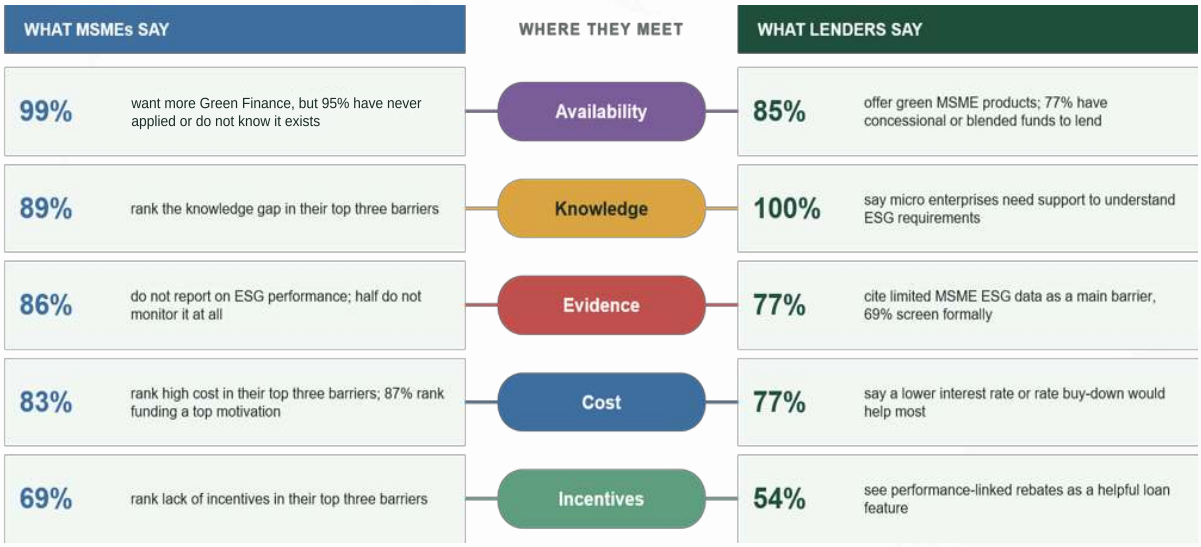


Figure 10.6: What MSMEs and lenders say about Green Finance

Source: BOI ESG survey 2026.

10.5 Ticket sizes: most MSMEs need small amounts

Financing needs are small for most enterprises (Figure 10.7). Of the 481 enterprises that stated a need, 31% require less than ₦5 million and 55% between ₦5 million and ₦50 million to finance their planned ESG practices; 86% therefore need less than ₦50 million. Only 9% need ₦50–500 million and 5% more than ₦500 million. Need scales with maturity and size: 58% of Leading enterprises need more than ₦50 million, against 5% of Nascent enterprises, and 41% of medium enterprises need more than ₦500 million.

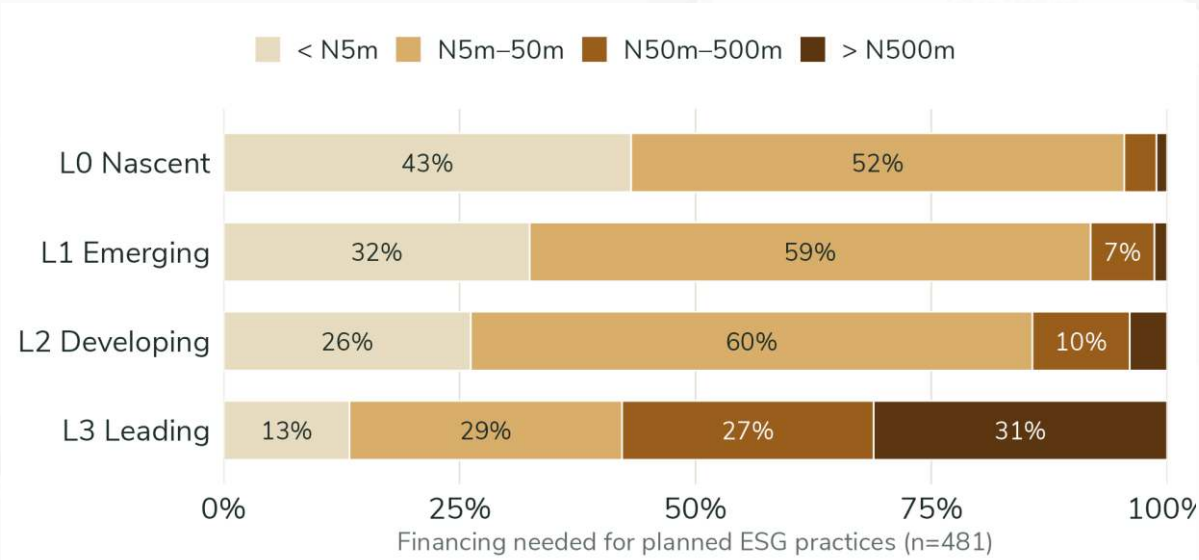


Figure 10.7: Financing needed for planned ESG practices, by maturity level
Source: BOI ESG survey 2026.

A single product will not fit everyone. Micro-ticket, simplified instruments suit Nascent and Emerging enterprises, while larger structured facilities suit Developing and Leading enterprises. Readiness to act is high: 72% of enterprises plan to expand their ESG practices in the next 12 months.

10.6 An initial investment-ready pipeline

One survey objective asks the findings to identify investment-ready enterprises. Five screens were applied (Figure 10.8): (1) maturity at Developing or Leading level; (2) plans to expand ESG practices in the next 12 months; (3) interest in Green Finance; (4) a stated financing need; and (5) a documented ESG policy or current ESG reporting. 82 enterprises (15% of respondents) pass all five.

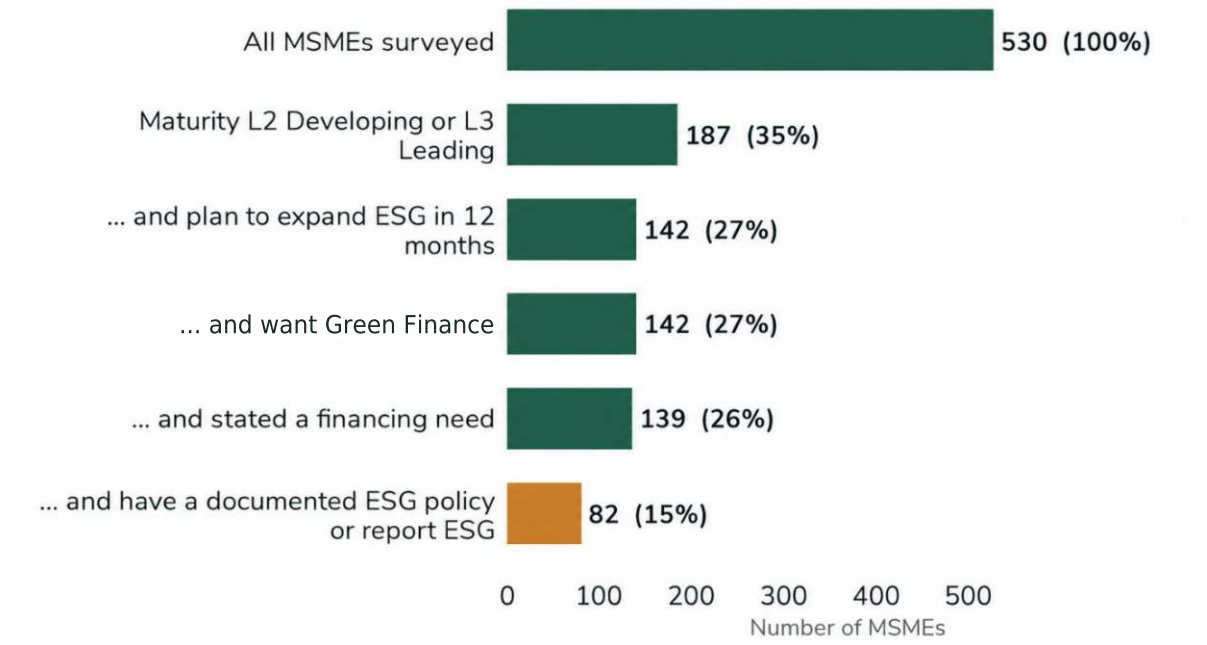


Figure 10.8: Investment-ready pipeline: enterprises passing each successive screen
Source: BOI ESG survey 2026.

Table 10.2: Profile of the 82 investment-ready enterprises

Characteristic	Profile
Maturity level	48 Developing, 34 Leading
Enterprise size	43 micro, 18 small, 21 medium
Largest sectors	Manufacturing 21, agriculture 17, wholesale/retail trade 16
Geopolitical zone	South West 21, North Central 18, North East 14, North West 11, South South 10, South East 8
Financing need	Under ₦5m: 19; ₦5m–₦50m: 33; ₦50m–₦500m: 16; over ₦500m: 14
Other characteristics	45% export; 29% female-led; 29% took part in 2025
Green Finance status	61 never applied; 13 unaware of instruments; 7 applied and waiting; 1 accessed

The pipeline is diverse: it spans every zone and every ticket size, and half its members are micro enterprises. Almost none has yet accessed Green Finance. It offers BOI and partner lenders an immediate, evidence-based starting point for a Green Finance outreach programme, and a cohort whose progress can be tracked in the 2027 edition.

10.7 The benefits that ESG delivers

Enterprises that understand ESG see commercial value in it. Among the 230 with at least a basic understanding of ESG, 55% say ESG adoption helped them reach new institutional buyers or export markets in the past year, and 77% rate their ESG practices as better or much better than 12 months earlier. Returning 2025 participants report better employee satisfaction (48%), higher revenue (38%), lower costs (34%) and improved access to finance (27%). These are self-reported perceptions rather than measured outcomes, but they support the case that ESG opens doors to markets as well as to finance.

10.8 Technical assistance and capacity needs

MSMEs ask for simple, hands-on help (Figure 10.9). Interest in every type of support is near-universal, so the design question is format and sequencing rather than demand: start with guidance and templates, add advisory support for Emerging and Developing enterprises, and link training to finance.

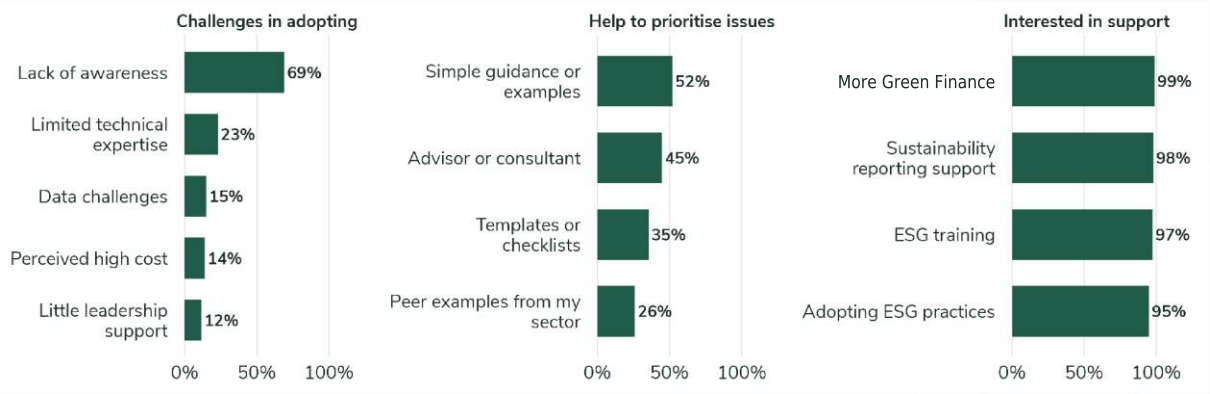


Figure 10.9: Challenges in adopting ESG, help wanted to prioritise ESG issues, and interest in support
Source: BOI ESG survey 2026

CHAPTER 11: FOSTERING COLLABORATION AND POLICY IMPLICATIONS



Coordination can help existing green products and training reach more MSMEs.

11.1 Ecosystem developments in the past year

Over the past year, a range of funding instruments, guidance and rules relevant to MSME ESG adoption has emerged.

- **Funding instruments.** In 2025, the Bank of Industry reported disbursements of ₦18 billion to Climate Finance and sustainability; its Climate Finance initiatives led to renewable energy systems being installed in more than 55 firms and an estimated 46,077 tonnes of CO_2 avoided across financed projects.[6] In May 2026 the African Development Bank approved a US$200 million facility for BOI to support SMEs in sectors including climate-resilient, low-carbon projects, accompanied by a US$650,000 technical assistance grant to strengthen SME capacity and the adoption of ESG practices.[7] In December 2025 the European Investment Bank signed a €200 million loan with the Federal Government for MSMEs in the green, agricultural and digital sectors, channelled through the Development Bank of Nigeria to commercial banks, microfinance institutions and mortgage banks.[8] Sterling Bank received a €321,000 grant from the Dutch Fund for Climate and Development to set up a Climate Finance Desk,[9] and Access Holdings reported a green asset portfolio of ₦92.14 billion in 2025, with ₦72.3 billion deployed under its Sustainable Finance Framework.[10]
- **Guidance and capacity for enterprises.** In mid-2026 the Nigeria Employers' Consultative Association (NECA), with the International Labour Organization (ILO), launched an ESG Implementation Guide for MSMEs, described as the first such guide in Nigeria, to help enterprises understand ESG, identify risks and opportunities and position themselves for finance and markets.[11] In July 2026 the Federal Government and the ILO launched the second phase of the Social Dimension of Ecological Transition project (2025–2029), a just-transition programme to turn climate pledges into action that benefits workers, enterprises and at-risk groups.[12]
- **Clearer rules on disclosure.** In February 2026 the FRC released its amended roadmap for IFRS S1 and S2 and Sustainability Reporting Guideline 1, under which public interest entities report from 2028 and SMEs from 2030. UNDP, with the Federal Ministry of Finance, has been supporting the development of a national Sustainable Finance taxonomy.[13]
- **Carbon markets activated.** In October 2025 the Federal Government approved the National Carbon Market Framework and operationalised the Climate Change Fund.

[6]Bank of Industry, Annual Development Impact Report 2025, June 2026.
[7]African Development Bank, press release on the US$200 million financing facility for the Bank of Industry, May 2026.
[8]European Investment Bank, project 20230070.
[9]SNV, "Strengthening climate finance for smallholders and agribusiness in Nigeria".
[10]Access Holdings Plc, 2025 Sustainability Report, August 2026.
[11]BusinessDay; Business Post, "NECA launches Nigeria's first ESG implementation guide for MSMEs", July 2026.
[12]Africa Sustainability Matters, "Nigeria, ILO launch new just transition programme", 2026.
[13]UNDP, Nigeria and Rwanda factsheet, October 2025.

11.2 Ecosystem actors: evidence and priorities for 2027

These initiatives exist, but the survey shows that they are not yet visible to most MSMEs. The priority for 2027 is to connect them to the enterprises they are meant to serve (Table 11.1).

Table 11.1: Ecosystem actors, 2026 evidence and priorities for 2027

Ecosystem actor	2026 survey evidence	Proposed priority for 2027
Financiers (banks, MFBs, DFIs)	11 of 13 lenders offer green MSME products and 10 use concessional or blended funds, yet 95% of MSMEs have never applied or do not know Green Finance exists; 1.7% have accessed it.	Market green products through MSME associations and plain-language labelling; pair finance with capacity building; pass concessional pricing through as rate buy-downs and performance-linked rebates.
Enterprise development partners and TA providers	14% of MSMEs have had ESG training; 97% want it. 52% want simple guidance and 35% templates or checklists to identify priority issues.	Turn the NECA guide and the BOI ESG Maturity Toolkit into training modules and templates; deliver hands-on support by maturity level.
Regulators and standard-setters	6 of 13 lenders cite the lack of standard ESG criteria or taxonomy; 10 of 13 cite limited MSME ESG data. 66% of MSMEs know no reporting standard.	Issue a simplified MSME disclosure template mapped to IFRS S1/S2; finalise the taxonomy with MSME-relevant activities; engage MSMEs early on the 2030 timeline.
Trade and business associations	13% of aware MSMEs learned of ESG through an association, more than through BOI directly (1%).	Use associations as delivery channels for awareness, templates, group health insurance and aggregated finance and carbon projects.
Aggregators and anchor institutions	6% of MSMEs measure GHG against targets; 54% of carbon-ready firms need technical support and 52% finance.	Bundle MSME solar, efficiency and clean-cooking projects into programmes eligible for carbon finance.

11.3 Implications by actor

11.3.1 Bank of Industry

- Integrate the Maturity Index into BOI's MSME appraisal as a diagnostic, not a hurdle: use the level to match each enterprise to the right product and support.
- Launch a Green Finance outreach programme starting with the 82-firm investment-ready pipeline, and track its outcomes in the 2027 edition.
- Use technical assistance grant and similar resources to fund an MSME ESG Toolkit and a reporting template that BOI customers can complete with a spreadsheet.
- Build follow-up into every survey cohort: returning participants score significantly higher even after controls.

11.3.2 Central Bank of Nigeria

- Encourage banks to report MSME green lending separately (volumes, numbers and sizes of firms financed), so that reach can be tracked.
- Consider proportionate ESG due-diligence expectations for MSME loans, so that screening does not exclude micro enterprises that cannot yet evidence their practices.
- Support risk-sharing mechanisms that address lenders' perception of higher credit risk in green MSME lending.

11.3.3 Financial Reporting Council

- Publish simplified guidance for SMEs ahead of 2030, including a minimum set of indicators that MSMEs in listed-company and bank supply chains can provide from 2027.

- Work with lenders to align their MSME ESG questionnaires with that minimum set, reducing duplication.

11.3.4 Development partners

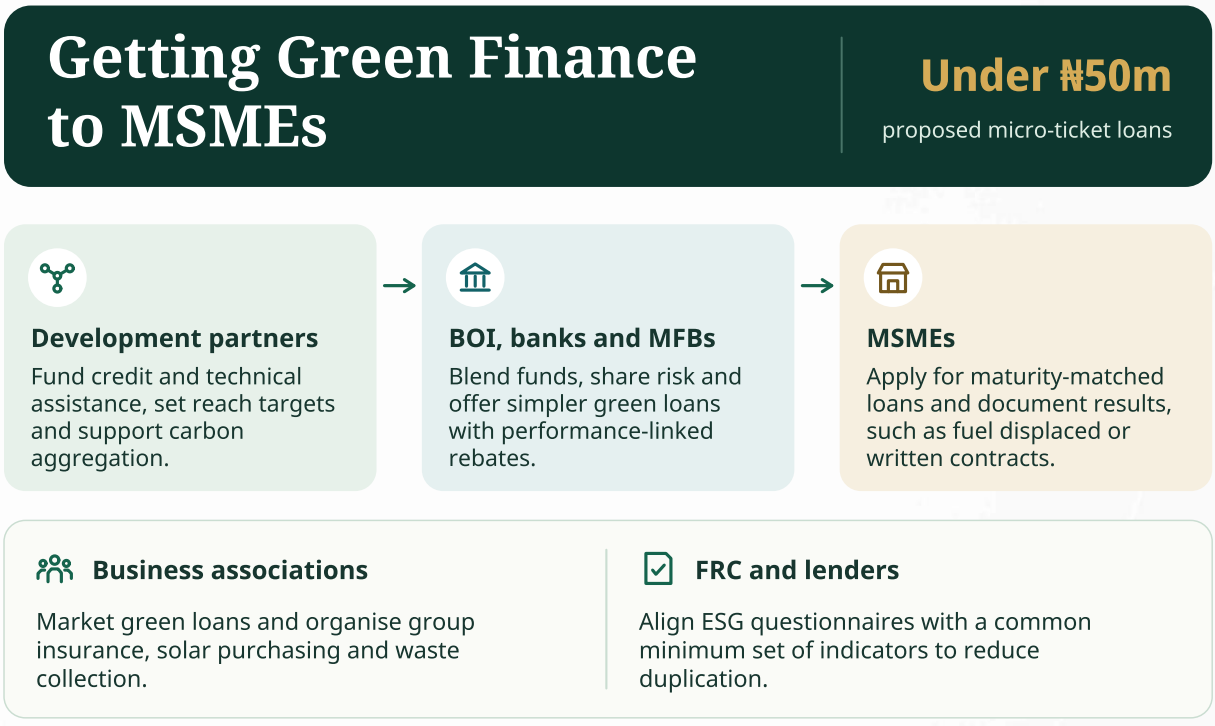
- Channel concessional funds with explicit reach targets for micro and small enterprises, and with pass-through of concessionality to the end borrower.
- Fund technical assistance alongside credit lines, focused on measurement and reporting, the weakest dimension.
- Support aggregation vehicles that bring MSME projects into the carbon market.

11.3.5 Commercial banks and microfinance banks, in collaboration with the Bank of Industry (BOI)

- Collaborate with BOI through blended finance structures that combine BOI funding with commercial bank and microfinance bank resources to expand access to affordable green loans for MSMEs.
- Position BOI as a catalyst for green MSME financing by providing concessional funding, risk-sharing arrangements or credit guarantees to encourage participating financial institutions to lend to underserved businesses.
- Label and market green financial products in plain language through MSME associations, and introduce micro-ticket green loans below ₦50 million with simplified application processes and eligibility criteria tailored to businesses' sustainability maturity.
- Introduce performance-linked rebates tied to a small number of verifiable ESG targets, such as fuel displaced through solar adoption or documented employment contracts for all staff.

11.3.6 Business associations

- Act as the first point of contact for ESG awareness, templates and training, especially outside the South West.
- Organise group schemes (health insurance, solar procurement, waste collection) that bring formal protections and environmental practice within reach of micro enterprises.



CHAPTER 12: WAY FORWARD AND RECOMMENDATIONS

12.1 Progress on the 2025 recommendations

The 2025 edition closed with a seven-point call to action for ecosystem actors.[14] Table 12.1 assesses progress against each recommendation. For each, it sets the evidence from all 530 respondents beside the evidence from the 88 enterprises that also took part in 2025, and it gives an overall assessment.

The 2026 instrument did not ask enterprises directly whether each recommendation had been implemented. Progress is therefore inferred from three sources: (i) changes in the indicators each recommendation sought to move; (ii) the supply-side survey of lenders; and (iii) the ecosystem developments documented in Chapter 11. The comparison between returning and first-time respondents shows what sustained engagement is associated with. It is not proof of impact, because firms that chose to return may have been more motivated from the outset.

Table 12.1: Progress on the 2025 recommendations

SN	2025 recommendation (key actions proposed)	Evidence: all 530 respondents	Evidence: 88 returning respondents	Assessment
1	**Deepen ESG awareness and literacy** (zonal campaigns via hubs, associations and media; modular toolkits and e-learning; youth-led businesses as ESG ambassadors)	68.5% have heard of ESG (72% in 2025; change not significant); 43% understand it at a basic level or better (36% of micro enterprises); 14% trained. Awareness among 18–35 promoters fell 15 pp, the only significant change. Media remain the main channel (52% of aware firms).	95% have heard of ESG; 80% understand it at a basic level or better; 40% trained. Awareness & Capability score 2.04 vs 1.16 for first-timers.	**Limited overall; strong among engaged firms.** Awareness has plateaued nationally. The evidence no longer supports the youth-ambassador proposal.
2	**Address financial barriers through innovative products** (sector-tailored ESG-linked loans; blended finance and results-based incentives for early adopters, especially women- and youth-led MSMEs)	Supply has moved: 11 of 13 lenders offer green MSME products (8 sustainability-linked loans); 10 of 13 use concessional or blended funds; 7 of 13 see performance-linked rebates as helpful. Reach has not: 1.7% of MSMEs accessed Green Finance and 4.7% applied; 22% are unaware any exists. Cost remains a top-three barrier for 83%.	11% applied for or accessed Green Finance (10 firms; 2 accessed), against 3% of first-timers. 27% say ESG improved their access to finance.	**Partial.** Products exist on the supply side but are not reaching MSMEs. No women- or youth-targeted ESG product was evident in the lender responses.
3	**Build technical capacity and sector-specific support** (regional ESG Capacity Hubs; sector-tailored training; train-the-trainer models)	14% of MSMEs trained; 37% in the South West against 13% or less in every other zone. 23% cite limited technical expertise and 89% place the knowledge gap in their top three barriers. NECA–ILO MSME ESG guide launched mid-2026; lenders report ad hoc training sessions. No regional ESG hubs identified.	40% trained; 32% introduced staff ESG training since 2025. 44% now cite limited technical expertise, against 19% of first-timers: needs deepen as firms advance.	**Limited.** Capacity-building remains concentrated in one zone. The hub and train-the-trainer models have not yet been established.

[14] Bank of Industry (2025), ESG Adoption by Nigerian MSMEs, Section 7 "Way Forward", pp. 22–23.

SN	2025 recommendation (key actions proposed)	Evidence: all 530 respondents	Evidence: 88 returning respondents	Assessment
4	**Strengthen governance and institutionalisation** (simplified ESG policy and report templates; ESG in trade-association membership requirements; ESG-compliant certification)	20% have a documented ESG policy and 23% are developing one; environmental policy 27% (28% in 2025). ESG is overseen by the owner alone or no one in 70% of firms; 33% have a whistleblowing mechanism; 14% report on ESG. No certification scheme or association membership requirement identified.	33% have an ESG policy and 32% are developing one; 32% improved governance and 27% developed or revised an ESG policy since 2025. Whistleblowing 49%; ESG reporting 26%.	**Limited overall; visible progress among returning firms.** Templates and certification remain to be delivered, and are proposed again in this edition (MSME ESG Toolkit).
5	**Foster multi-stakeholder collaboration and ESG-linked incentives** (align policy, finance, incentives and capacity development across government and the private sector)	Lack of incentives is still the third-ranked barrier (69% in top three; 52% citing in 2025). Financial institutions have become the second awareness channel (35% of aware firms) and associations reach 13%. New enablers: FRC roadmap and SRG 1, National Carbon Market Framework, AfDB facility with TA for BOI, NECA–ILO guide. No MSME-specific ESG incentive (tax credit or levy waiver) identified.	64% place lack of incentives in their top three. 42% learned of ESG through financial institutions and 17% through associations.	**Partial.** The enabling framework has advanced, but actors still work in silos and MSME incentives are absent.
6	**Link ESG to financial opportunity and market access** (supplier linkages to institutional buyers and export markets; ESG in value-chain leaders' procurement standards)	55% of firms with basic or better understanding say ESG helped them reach new institutional buyers or export markets. Customer demand is the second motivation (75% in top three). Only 6% identified their material issues because a lender or investor asked. Exporters score 0.28 points higher after controls.	57% of returning firms with basic or better understanding report new buyers or markets; 38% report higher revenue; 14% were prompted by a lender or investor.	**Emerging.** Market pull is real, but no structured supplier-linkage or procurement programme was identified.
7	**Measure impact and sustain progress** (national ESG adoption index; periodic surveys, impact assessments and dashboards; feedback loops into product design and policy)	Delivered: the MSME ESG Maturity Index (29 items, six dimensions) sets the 2026 baseline at 1.32. The survey was repeated with a new lender module, and an interactive dashboard was built. Firm-level measurement remains weak: 51% of MSMEs do not monitor ESG and 6% measure GHG against targets.	88 firms now form the first panel. Measurement & Reporting score 1.01 vs 0.57; 34% do not monitor ESG, against 54% of first-timers.	**Achieved (index and survey); firm-level data gap remains.** Emissions-saved and jobs-created metrics are not yet captured.

Three conclusions follow for 2027:

1. **Engagement works; scale it.** Returning firms are ahead on every recommendation. They score 1.71 against 1.24 for first-time respondents, and 60% are at the Developing level or above, against 30%. The gap remains significant after controlling for size, revenue and export status. Systematic follow-up of every survey cohort is the most direct lever available to BOI.

2. **Carry forward what has not yet been delivered.** Regional capacity hubs, simplified templates and certification, MSME-specific incentives and supplier-linkage programmes remain outstanding. The recommendations below and the 2027 ESG Action Framework (Table 12.2) incorporate these.
3. **Retire or revise what the evidence no longer supports.** The 2026 data do not support positioning youth-led businesses as ESG ambassadors. Awareness among young promoters fell, and age is not associated with maturity once firm characteristics are controlled. Peer-mentoring should instead draw on returning and Leading enterprises, whatever the age of their promoters.

12.2 Recommendations

The recommendations build on six priorities drawn directly from the findings:

01 Formalise existing practice

Recognise what firms already do. Practice often comes before ESG understanding.

02 Make measurement easy

Measurement and reporting is the weakest area and lenders' top barrier.

03 Match finance to size and maturity

86% of MSMEs need under ₦50m. Lenders favour rate buy-downs and performance rebates.

04 Target support by size

Reach micro firms at scale, deepen work with SMEs and keep cohorts engaged.

05 Lead on energy and resilience

Half rely on generators as a main energy source. Floods and heat are widespread.

06 Strengthen the evidence base

2026 is Year 0 of the Index. Data quality shapes future progress reporting.

12.2.1 Short term (2027)

- **ESG awareness campaign.** A joint BOI–lender–association campaign that names and labels green products in plain language, targets micro enterprises in all zones and uses the media and financial institutions, the two main awareness channels.
- **MSME ESG Toolkit.** Simple guidance, sector examples, templates and checklists organised by maturity level, building on the BOI ESG Maturity Toolkit and the NECA guide.
- **Regional capacity building.** Hands-on training in all six zones, prioritising zones and sectors with low training exposure (the North, the South East, agriculture and ICT), delivered with trade associations.
- **Pipeline outreach.** Engage the 82 investment-ready enterprises with tailored Green Finance offers and track their progress.
- **Survey improvements.** Fix the skip logic, de-duplicate submissions, add questions on implementation of the 2025 recommendations and on ecosystem actors, and add a short technical assistance provider module.

12.2.2 Medium term (2028–2030)

- **Reporting readiness programme.** A simplified MSME disclosure template mapped to IFRS S1/S2, accepted by lenders, with three reporting cycles of practice before SME obligations begin in 2030.
- **ESG-linked financing mechanisms.** Micro-ticket green loans, performance-linked rebates, rate buy-downs funded from concessional lines, and risk-sharing to address perceived credit risk; graduated eligibility by maturity level.

- **Carbon-market preparation.** Aggregated MSME solar, efficiency and clean-cooking programmes with simple measurement, reporting and verification, prepared for the National Carbon Market Framework.

12.2.3 Long term (beyond 2030)

- **National MSME ESG Observatory.** A standing partnership of BOI, LBS, regulators and associations to publish the Maturity Index annually.
- **Annual ESG benchmarking.** Sector and zone benchmarks that enterprises and lenders can use to compare performance.
- **MSME ESG data repository.** A secure, consent-based repository of MSME ESG data that enterprises can share with lenders and buyers, reducing duplicated information requests.

Recommendations by stakeholder

MSMEs

Use the ESG Toolkit to document existing practices and keep simple records.

Financial institutions

Use a common disclosure template. Match Green Finance and rebates to firm maturity.

Policymakers

Set proportionate ESG requirements and enable risk-sharing.

Development partners

Fund training and concessional credit. Support carbon-project aggregation.

12.3 The 2027 ESG Action Framework

Table 12.2 sets out who should lead each action.

Table 12.2: 2027 ESG Action Framework: responsibilities

Action	BOI	Banks and MFBs	Regulators (CBN, FRC)	Development partners	Associations
Awareness campaign	Lead	Lead	Support	Support	Lead
MSME ESG Toolkit and templates	Lead	Support	Support	Fund	Deliver
Regional capacity building	Lead	Support	–	Fund	Deliver
Simplified MSME disclosure template	Co-lead	Adopt	Lead (FRC)	Fund	Disseminate
Micro-ticket green loans and rebates	Lead	Lead	Enable (CBN)	Fund	Refer
Risk-sharing for green MSME lending	Co-lead	Use	Enable	Lead	–
Investment-ready pipeline outreach	Lead	Co-finance	–	Support	–
Carbon-market aggregation	Co-lead	Support	Enable	Lead	Mobilise
Annual Maturity Index and survey improvements	Lead	Respond	Respond	Support	Mobilise

12.4 Conclusion

Nigerian MSMEs are doing more ESG than they can name, measure or finance. The 2026 baseline shows a sector at the Emerging stage, held back less by unwillingness than by limited knowledge, the cost of implementation and an inability to evidence what it already does. Lenders have products and funds, and MSMEs want finance; what is missing is the bridge between them. Building that bridge, through recognition of existing practice, simple measurement, finance matched to ticket size and maturity, and coordinated action by every part of the ecosystem, is the task for 2027. The next edition of this report will show whether that task has begun.

APPENDIX A: ESG MATURITY INDEX TECHNICAL NOTES

A.1 Item definitions and scoring

All items are scored on a 0–3 scale. Dimension scores are the simple average of their items; the overall Index score is the simple average of the six dimension scores (each weighted one-sixth). Unanswered items score 0.

Table C1: Scoring of the 29 Index items

Dimension	Item (questionnaire reference)	Scoring
Awareness & Capability	ESG familiarity (Q17)	Never heard 0; heard but do not understand 1; basic 2; good 3; advanced 3
Awareness & Capability	Staff ESG training (Q18)	Yes 3; No 0
Awareness & Capability	Mechanisms to reinforce ESG behaviour (Q63)	Any mechanism 3; none 0
Strategy & Governance	Documented ESG policy/strategy (Q68)	Yes 3; under development 1.5; no 0
Strategy & Governance	Who oversees ESG (Q67)	Board, ESG committee or ESG officer 3; management 2; owner 1; no assigned responsibility 0
Strategy & Governance	Integration into decisions (Q69)	Strong or fully integrated 3; moderate 2; limited 1; not integrated 0
Strategy & Governance	Board or advisory structure (Q64)	Board and/or advisory board 3; none 0
Strategy & Governance	Whistleblowing or grievance mechanism (Q65)	Yes 3; No 0
Strategy & Governance	Customer data protection procedures (Q66)	Yes 3; No 0
Materiality & Targets	Material issues identified (Q28)	Yes 3; in progress 1.5; no 0
Materiality & Targets	Issues linked to goals or targets (Q33)	Yes 3; somewhat 1.5; no or not applicable 0
Materiality & Targets	Frequency of review (Q32)	Once a year 3; only when something changes 1.5; never, not applicable or every 2–3 years 0 †
Environmental	Practices implemented (Q35–36)	Number of practices among recycling, water management, solar and energy efficiency, capped at 3; counted only where adoption is confirmed
Environmental	Environmental policy/documentation (Q39)	Yes 3; in progress 1.5; no 0
Environmental	Monitors environmental impact (Q37)	Yes 3; No 0
Environmental	Tracks energy consumption (Q41)	Yes 3; No 0
Environmental	Monitors water consumption (Q43)	Yes 3; No 0
Environmental	Waste disposal (Q42)	Recycling or reuse 3; collector or contractor 1.5; dumping 0
Environmental	Clean energy (Q40)	Solar or hybrid among main energy sources 3; otherwise 0
Social	Pays minimum wage (Q51)	Yes 3; No 0
Social	Staff health insurance (Q52)	Yes 3; No 0
Social	First-aid facilities (Q53)	Yes 3; No 0

Dimension	Item (questionnaire reference)	Scoring
Social	Fire safety equipment (Q54)	Yes 3; No 0
Social	Formal employment contracts for all staff (Q59)	Yes 3; No 0
Social	Frequency of HSE training (Q62)	Monthly or quarterly 3; semi-annual 2; annual 1.5; never or other 0
Social	Employs persons with disabilities (Q58)	Yes 3; No 0
Measurement & Reporting	Reports ESG performance (Q20)	Yes 3; planning within 12 months 1; no 0
Measurement & Reporting	Monitoring method (Q22)	Dashboard or third-party assurance 3; spreadsheet or consultant 2; informal 1; not monitored 0 (highest applies)
Measurement & Reporting	GRI / IFRS S1–S2 adoption (Q25)	Fully adopted 3; partially adopted 2; planning to adopt 1; aware 0.5; not aware 0

Note: † Reviewing issues every two to three years currently scores 0 (27 enterprises); scoring it at 1 or 1.5 is recommended for 2027 and would not change any headline result materially. Question references are to Appendix A.

A.2 Thresholds and reliability

Maturity levels are assigned on the overall score: Nascent below 0.75; Emerging 0.75 to below 1.50; Developing 1.50 to below 2.25; Leading 2.25 and above. Internal consistency across the 29 items is high (Cronbach's alpha 0.84 in the official analysis). The Index was replicated independently from the respondent-level data: the replication reproduces the national mean (1.32), all six dimension means (within 0.01) and the level distribution. Appendix E tables are taken from the replication and may differ from the main text by ±0.01 because of rounding.

A.3 Supplementary readiness indicators

Disclosure readiness = average of: ESG reporting (as above); monitoring method (as above); GRI / IFRS adoption (as above); adoption timeline (already adopted 3; within one year 2; two to three years 1; more than three years 0.5; no plans 0). National mean 0.77.

Carbon-market readiness = average of: knowledge of carbon markets (never heard 0; heard only 0.75; basic 1.5; good 2.25; advanced 3); knows what readiness requires (yes 3; maybe or partially 1.5; no or not asked 0); measures GHG against targets (yes 3; planning 1.5; no or not asked 0). National mean 0.56.

A.4 Recommendations for the 2027 Index

- Retain the six dimensions and scoring unchanged so that 2027 results are comparable with the Year-0 baseline.
- Add one or two evidence-based items to Materiality & Targets (for example, whether targets are written down and tracked) to reduce reliance on self-reported intent.
- Fix the skip logic on environmental practices and add validation to prevent duplicate submissions.
- Consider weighting the sample to the national MSME population by size and zone in future editions, so that the Index can be presented as a national estimate.

APPENDIX B: GLOSSARY OF ESG TERMS

Term	Definition
Adaptation finance	Finance for measures that reduce vulnerability to the physical effects of climate change, such as flood-resilient storage or drought-tolerant inputs.
Blended finance	The use of concessional public or philanthropic funds to mobilise commercial finance for projects with development or climate impact.
Carbon market	A market in which verified greenhouse gas emission reductions or removals are traded as credits, either under a regulated compliance scheme or voluntarily.
Concessional finance	Finance on terms more favourable than the market, such as lower interest rates, longer tenors or grace periods.
Double materiality	Considering both how sustainability issues affect a business financially and how the business affects people and the environment.
ESG	Environmental, Social and Governance: the three areas used to assess a business's sustainability practices and risks.
GHG emissions	Greenhouse gas emissions, such as carbon dioxide and methane, usually expressed in tonnes of CO_2-equivalent.
Green Finance	Loans, grants, equity and other finance for activities with environmental benefits, such as renewable energy, energy efficiency or waste management.
Green loan	A loan whose proceeds are used exclusively for eligible environmental projects.
GRI	Global Reporting Initiative: a widely used set of standards for reporting an organisation's impacts on the economy, environment and people.
IFRS S1	IFRS Sustainability Disclosure Standard S1: general requirements for disclosing sustainability-related risks and opportunities that affect an entity's prospects.
IFRS S2	IFRS Sustainability Disclosure Standard S2: requirements for disclosing climate-related risks and opportunities.
ISSB	International Sustainability Standards Board, the body that issues IFRS Sustainability Disclosure Standards.
Materiality	The process of identifying the sustainability issues that matter most to a business and its stakeholders.
Net zero	A state in which the greenhouse gases emitted are balanced by those removed from the atmosphere.
Nationally Determined Contribution (NDC)	A country's climate action plan under the Paris Agreement, setting emission-reduction targets and adaptation measures.
Sustainability-linked loan	A loan whose pricing is linked to the borrower's performance against agreed sustainability targets, regardless of how the proceeds are used.
Sustainable Finance	Finance that takes environmental, social and governance considerations into account in investment and lending decisions.
Sustainable Finance taxonomy	A classification system defining which economic activities count as environmentally sustainable.

APPENDIX C: STATISTICAL TABLES

The tables below are cross-tabulations from the respondent-level data (n = 530 MSMEs). Mean scores are on the 0–3 Maturity Index scale. They are reproduced from an independent replication of the Index and may differ from figures in the main text by ±0.01 because of rounding.

Table C1: ESG familiarity by geopolitical zone (% of respondents in each zone)

Zone	n	Never heard	Heard, do not understand	Basic	Good	Advanced	Trained on ESG
North Central	147	37%	26%	20%	14%	3%	9%
North East	93	29%	29%	19%	16%	6%	8%
North West	99	36%	24%	25%	12%	2%	8%
South East	43	30%	28%	28%	12%	2%	7%
South South	47	26%	30%	15%	21%	9%	13%
South West	101	25%	18%	18%	31%	9%	37%
All MSMEs	**530**	**32%**	**25%**	**21%**	**18%**	**5%**	**14%**

Note: Differences in having heard of ESG across zones are not statistically significant (χ^2 p = 0.29); differences in training are (p < 0.001).

Table C2: ESG maturity by geopolitical zone

Zone	n	Mean score	Nascent	Emerging	Developing	Leading
North Central	147	1.20	20%	52%	26%	2%
North East	93	1.30	16%	52%	26%	6%
North West	99	1.21	23%	48%	24%	4%
South East	43	1.12	33%	33%	30%	5%
South South	47	1.57	13%	34%	34%	19%
South West	101	1.61	14%	39%	21%	27%
All MSMEs	**530**	**1.32**	**19%**	**46%**	**26%**	**10%**

*Note: * Fewer than 30 respondents; indicative only. Row shares may not sum to 100% because of rounding.*

Table C3: ESG maturity by sector

Sector	n	Mean score	Nascent	Emerging	Developing	Leading
Manufacturing	92	1.52	15%	38%	27%	20%
Health & social work	31	1.50	10%	55%	13%	23%
Creative Industries	44	1.43	18%	39%	25%	18%
Construction*	15	1.43	7%	67%	13%	13%
Hospitality*	16	1.37	25%	31%	31%	12%
Wholesale/retail trade	73	1.32	15%	53%	23%	8%
Agriculture	171	1.21	22%	47%	27%	4%
ICT	72	1.13	31%	42%	28%	0%
Solid Minerals (Mining & Quarrying)*	2	0.96	0%	100%	0%	0%
Other (<10 each)*	14	1.46	7%	50%	36%	7%
All MSMEs	**530**	**1.32**	**19%**	**46%**	**26%**	**10%**

*Note: * Fewer than 30 respondents; indicative only. Row shares may not sum to 100% because of rounding.*

Table C4: ESG maturity by enterprise size

Enterprise size	n	Mean score	Nascent	Emerging	Developing	Leading
Micro (1–10 staff)	402	1.15	23%	51%	24%	2%
Small (11–50 staff)	80	1.55	11%	41%	34%	14%
Medium (51+ staff)	48	2.37	0%	4%	27%	69%
All MSMEs	**530**	**1.32**	**19%**	**46%**	**26%**	**10%**

*Note: * Fewer than 30 respondents; indicative only. Row shares may not sum to 100% because of rounding.*

Table C5: ESG maturity by number of employees

Employees	n	Mean score	Nascent	Emerging	Developing	Leading
1-5	248	1.10	25%	53%	21%	1%
6-10	154	1.23	20%	49%	29%	3%
11-20	56	1.54	9%	50%	29%	12%
21-50*	24	1.57	17%	21%	46%	17%
51-100*	12	2.08	0%	8%	50%	42%
>100	36	2.47	0%	3%	19%	78%
All MSMEs	**530**	**1.32**	**19%**	**46%**	**26%**	**10%**

*Note: * Fewer than 30 respondents; indicative only. Row shares may not sum to 100% because of rounding.*

Table C6: ESG maturity by annual revenue (2025)

Annual revenue	n	Mean score	Nascent	Emerging	Developing	Leading
Below ₦5m	244	1.10	26%	53%	20%	1%
₦5m–₦25m	160	1.28	19%	48%	29%	4%
₦25m–₦50m	35	1.48	9%	46%	31%	14%
Above ₦500m	48	2.32	0%	8%	27%	65%
All MSMEs	**530**	**1.32**	**19%**	**46%**	**26%**	**10%**

*Note: * Fewer than 30 respondents; indicative only. Row shares may not sum to 100% because of rounding.*

Table C7: ESG maturity by gender of promoter

Promoter gender	n	Mean score	Nascent	Emerging	Developing	Leading
Female-led	120	1.38	14%	46%	28%	12%
Male-led	408	1.31	21%	45%	25%	9%
Not stated*	2	1.30	0%	100%	0%	0%
All MSMEs	**530**	**1.32**	**19%**	**46%**	**26%**	**10%**

*Note: * Fewer than 30 respondents; indicative only. Row shares may not sum to 100% because of rounding.*

Table C8: ESG maturity by export status

Export status	n	Mean score	Nascent	Emerging	Developing	Leading
Exporter	96	1.76	8%	24%	45%	23%
Non-exporter	434	1.23	21%	50%	21%	7%
All MSMEs	**530**	**1.32**	**19%**	**46%**	**26%**	**10%**

*Note: * Fewer than 30 respondents; indicative only. Row shares may not sum to 100% because of rounding.*

Table C9: ESG maturity by participation in the 2025 assessment

Participation	n	Mean score	Nascent	Emerging	Developing	Leading
Took part in 2025	88	1.72	8%	32%	36%	24%
First-time respondent	442	1.24	21%	48%	24%	7%
All MSMEs	**530**	**1.32**	**19%**	**46%**	**26%**	**10%**

*Note: * Fewer than 30 respondents; indicative only. Row shares may not sum to 100% because of rounding.*

Table C10: ESG maturity by age of promoter

Promoter age	n	Mean score	Nascent	Emerging	Developing	Leading
18-35	206	1.24	22%	45%	29%	4%
36-45	203	1.35	17%	48%	23%	12%
46-55	75	1.35	19%	45%	25%	11%
56-60*	27	1.46	15%	41%	26%	19%
Above 60*	19	1.61	21%	32%	21%	26%
All MSMEs	**530**	**1.32**	**19%**	**46%**	**26%**	**10%**

*Note: * Fewer than 30 respondents; indicative only. Row shares may not sum to 100% because of rounding.*

Table C11: ESG maturity by education of promoter

Education	n	Mean score	Nascent	Emerging	Developing	Leading
SSCE*	22	1.29	18%	50%	27%	5%
Diploma	58	1.35	14%	48%	34%	3%
First degree	310	1.26	21%	48%	24%	7%
Masters	117	1.47	18%	38%	26%	18%
PhD*	23	1.43	17%	39%	26%	17%
All MSMEs	**530**	**1.32**	**19%**	**46%**	**26%**	**10%**

*Note: * Fewer than 30 respondents; indicative only. Row shares may not sum to 100% because of rounding.*

Table C12: ESG maturity by years of operation

Years operating	n	Mean score	Nascent	Emerging	Developing	Leading
<1*	11	1.21	27%	36%	27%	9%
1-3	106	1.09	28%	47%	24%	1%
4-7	214	1.30	17%	50%	27%	6%
8-10	79	1.29	19%	49%	23%	9%
10+	120	1.60	13%	35%	28%	24%
All MSMEs	**530**	**1.32**	**19%**	**46%**	**26%**	**10%**

*Note: * Fewer than 30 respondents; indicative only. Row shares may not sum to 100% because of rounding.*

Table C13: Dimension scores by enterprise size

Enterprise size	n	Aware. & Cap.	Strategy & Gov.	Materiality & Targets	Environ-mental	Social	Meas. & Reporting
Micro (1–10 staff)	402	1.11	1.08	1.74	1.36	1.12	0.50
Small (11–50 staff)	80	1.52	1.60	2.11	1.59	1.68	0.78
Medium (51+ staff)	48	2.55	2.55	2.32	2.44	2.75	1.62
All MSMEs	**530**	**1.30**	**1.29**	**1.85**	**1.49**	**1.35**	**0.65**

*Note: Dimension scores on the 0–3 scale. * Fewer than 30 respondents; indicative only.*

Table C14: Dimension scores by geopolitical zone

Zone	n	Aware. & Cap.	Strategy & Gov.	Materiality & Targets	Environ-mental	Social	Meas. & Reporting
North Central	147	1.20	1.11	1.80	1.38	1.14	0.56
North East	93	1.26	1.32	1.83	1.54	1.21	0.64
North West	99	1.17	1.19	1.70	1.36	1.28	0.53
South East	43	1.02	1.00	1.69	1.33	1.14	0.51
South South	47	1.45	1.62	2.13	1.59	1.74	0.89
South West	101	1.69	1.60	2.02	1.76	1.77	0.84
All MSMEs	**530**	**1.30**	**1.29**	**1.85**	**1.49**	**1.35**	**0.65**

*Note: Dimension scores on the 0–3 scale. * Fewer than 30 respondents; indicative only.*

Table C15: Dimension scores by sector

Sector	n	Aware. & Cap.	Strategy & Gov.	Materiality & Targets	Environ-mental	Social	Meas. & Reporting
Manufacturing	92	1.51	1.48	2.13	1.56	1.61	0.83
Health & social work	31	1.54	1.54	1.84	1.59	1.65	0.84
Creative Industries	44	1.50	1.40	1.84	1.63	1.46	0.75
Construction*	15	1.51	1.34	2.03	1.52	1.50	0.66
Hospitality*	16	1.27	1.27	1.78	1.56	1.54	0.81
Wholesale/retail trade	73	1.31	1.40	1.66	1.43	1.34	0.79
Agriculture	171	1.13	1.13	1.85	1.56	1.16	0.45
ICT	72	1.12	1.14	1.65	1.16	1.19	0.53
Solid Minerals (Mining & Quarrying)*	2	1.33	0.54	2.25	0.21	0.11	1.33
Other (<10 each)*	14	1.69	1.36	1.89	1.56	1.64	0.61
All MSMEs	**530**	**1.30**	**1.29**	**1.85**	**1.49**	**1.35**	**0.65**

*Note: Dimension scores on the 0–3 scale. * Fewer than 30 respondents; indicative only.*

Table C16: Drivers of ESG maturity — OLS regression of the overall Index score (n = 528)

Variable (reference category)	Coefficient	Robust s.e.	Significance
6–10 employees (vs 1–5)	0.02	0.06	n.s.
11–50 employees	0.28	0.08	p < 0.01
51+ employees	0.91	0.10	p < 0.01
Revenue ₦5m–₦50m (vs < ₦5m)	0.15	0.05	p < 0.01
Revenue > ₦50m	0.20	0.09	p < 0.05
Exporter	0.28	0.06	p < 0.01
Took part in 2025 assessment	0.32	0.06	p < 0.01
Female-led	0.08	0.05	n.s.
Promoter aged 36–45 (vs 18–35)	−0.02	0.05	n.s.
Promoter aged 46+	−0.07	0.06	n.s.
Postgraduate promoter	0.02	0.05	n.s.
Operating 10+ years	0.02	0.06	n.s.
Geopolitical zone (5 dummies, vs North Central)	—	—	Joint test n.s. (p = 0.42)
Sector (4 dummies, vs Agriculture)	—	—	Joint test n.s. (p = 0.31)
R^2 / observations	0.43		528

Note: Heteroskedasticity-robust (HC1) standard errors. Two firms that did not state promoter gender are excluded. An ordered logit on the four maturity levels gives the same picture (odds ratios: exporter 2.9; 2025 participation 3.1; both p < 0.01). Associations, not causal effects.

Table C17: Comparison with 2025 — two-proportion tests

Indicator	2025 (n = 316)	2026 (n = 530)	Change	Significance
Heard of ESG	72%	68.5%	−3.5 pp	n.s. (p = 0.26)
Adopted environmental practices	67%	72.6%	+5.6 pp	n.s. (p = 0.09)
Pays minimum wage	71%	50.6%	−20.4 pp	p < 0.001
Solar (share of all firms)	25%	25.5%	+0.5 pp	n.s.
Recycling (share of all firms)	58%	34.9%	−23.1 pp	p < 0.001
Energy efficiency (share of all firms)	42%	22.3%	−19.7 pp	p < 0.001
Water management (share of all firms)	35%	29.2%	−5.8 pp	n.s. (p = 0.08)
Environmental policy	28%	26.8%	−1.2 pp	n.s.
Media as source of ESG awareness (all firms)	38%	49.1%	+11.1 pp	p < 0.01
Accessed Green Finance	12%	1.7%	−10.3 pp	p < 0.001 †

† A change in the survey question prevents direct comparison of the 2025 and 2026 Green Finance access figures.

APPENDIX D: POLICY AND REGULATORY TIMELINE, 2024–2026

Date	Development
July 2024	Minimum Wage (Amendment) Act raises the national minimum wage to ₦70,000 a month.
2024	FRC publishes its roadmap for adoption of IFRS Sustainability Disclosure Standards in Nigeria, with early adoption encouraged.
September 2025	Nigeria unveils NDC 3.0 at the UN General Assembly: 29% emission reduction by 2030 and 32% by 2035 against 2018, net zero by 2060; estimated cost US$337 billion (2026–2035).
October 2025	BOI publishes the first State of ESG Adoption by Nigerian MSMEs report.
30 October 2025	Federal Government approves the National Carbon Market Framework and operationalises the Climate Change Fund, ahead of COP30.
December 2025	European Investment Bank signs a €200 million loan with the Federal Government for green, agricultural and digital MSMEs, channelled through DBN.
16–23 February 2026	FRC issues Sustainability Reporting Guideline 1 and the amended IFRS S1/S2 adoption roadmap: PIEs from 1 January 2028; SMEs from 1 January 2030.
May 2026	AfDB approves a US$200 million facility for BOI to support SMEs, with a US$650,000 technical assistance grant for SME capacity and ESG adoption.
June–July 2026	NECA, with the ILO, launches an ESG Implementation Guide for MSMEs; the Federal Government and the ILO launch phase two of the Social Dimension of Ecological Transition project (2025–2029).
August–September 2026	Fieldwork for this report: 530 MSMEs and 13 financial institutions.

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