BANK OF INDUSTRY
...transforming Nigeria's industrial sector

ESG Adoption by Nigerian MSMEs

October 2025

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Foreword

As Nigeria advances toward a sustainable, inclusive, and resilient economic future, the Bank of Industry (BOI) continues to reaffirm its role as a catalyst for transformation. The country's journey towards industrial competitiveness must now be guided by Environmental, Social and Governance (ESG) principles that balance growth with responsibility. For us at BOI, this direction is a strategic imperative that underpins how we finance, collaborate and advocate to build the Nigeria of tomorrow.

Micro, Small, and Medium-Sized Enterprises (MSMEs) are at the heart of this transformation. They make up over 80% of Nigeria's enterprises, contribute nearly half of its GDP, and are the lifeblood of local communities. This report, *ESG Adoption by Nigerian MSMEs*, reflects the Bank's resolve to support these businesses in transitioning from traditional practices to sustainable operations that strengthen resilience, enhance competitiveness, and open new pathways to green and inclusive growth.

The insights captured in this study spanning over 300 MSMEs across Nigeria's six geopolitical zones reveals a promising but uneven landscape. While awareness of ESG principles is rising, challenges such as limited funding, weak technical capacity, and inadequate ESG-linked incentives persist. For us, these findings are not barriers; they are opportunities to innovate and act. The Bank is already implementing solutions aligned with our newly developed Sustainable Financing Framework. These solutions place MSMEs at the heart of Nigeria's green transition agenda.

Furthermore, by building on partnerships with global institutions, BOI has successfully mobilized climate-aligned and risk-shared financing for green enterprises and MSMEs. These partnerships have expanded access to finance, strengthened ESG governance within our portfolio, and accelerated the growth of sectors like renewable energy, circular economy, health, infrastructure, and climate-smart agriculture. In 2025, BOI's accreditation as Nigeria's first National Implementing Entity (NIE) to the Adaptation Fund further reinforced our leadership in climate adaptation and resilience financing.

This report aligns with Nigeria's commitments under the Paris Agreement, the Nationally Determined Contributions (NDCs), and the Energy Transition Plan (ETP), particularly in achieving the country's 47% conditional emission reduction target by 2030.

Our ESG and climate finance programs are therefore not isolated initiatives; they are part of a broader national architecture for climate resilience and sustainable industrialization. We are integrating best practice frameworks into our operations to promote transparency, accountability, and investor confidence.

The message of this report is clear: ESG adoption is not a luxury; it is an enabler of inclusive prosperity and long-term competitiveness. For MSMEs, integrating sustainability practices is the surest pathway to access finance, build market trust, and future-proof their operations. For financial institutions and policymakers, it is an investment in stability, innovation, and growth.

I commend all stakeholders: our partners, development partners, and the MSMEs themselves, for their contributions to this effort. Together, we are demonstrating that responsible business is good business and that Nigeria's industrial future can be both profitable and sustainable. BOI remains steadfast in its mission to empower enterprises to not only succeed but to lead in creating jobs, protecting the environment, and strengthening governance for generations to come.

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


SUSTAINABLE DEVELOPMENT GOALS
1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Executive Summary

In Nigeria, Micro, Small, and Medium Sized Enterprises (MSMEs) are the lifeblood of the economy, employing millions and contributing significantly to the nation's GDP. As the global economy moves towards sustainability, Nigerian MSMEs face both the challenge and opportunity to embed Environmental, Social and Governance (ESG) principles into their operations to enhance competitiveness, strengthen community impact and unlock new growth pathways.

Recognizing this imperative, the Bank of Industry (BOI) conducted a pivotal nation-wide ESG Adoption survey in 2025 to generate evidence on how Nigerian MSMEs understand, apply and benefit from ESG practices. The survey covered over 300 MSMEs across Nigeria's six geopolitical zones. It captured quantitative data (e.g., awareness levels, practices adopted) and qualitative insights (e.g., motivations, challenges) through online responses.

The survey shows that ESG awareness among Nigerian MSMEs is growing with 72% of respondents being aware and 67% already practicing some environmental or social measures. However, only 28% have formal ESG policies, revealing weak institutionalization and limited structure. Funding and technical capacity remain the biggest barriers, while young entrepreneurs and agro-processors lead adoption compared to older or female-led enterprises.

Overall, the findings highlight the need for targeted financing, capacity building and enhanced ESG-linked incentives to help MSMEs move from awareness to measurable sustainability impact.

1. Introduction

Environmental, Social, and Governance (ESG) principles, covering how businesses manage their environmental impact, social responsibility, and governance practices, have become central to business resilience, competitiveness, as well as access to markets and capital. As global markets and investors increasingly demand responsible business conduct, the integration of ESG practices has become both a necessity and an opportunity for Nigerian Micro, Small, and Medium Enterprises (MSMEs). In recognition of this, the Bank of Industry (BOI) conducted an ESG adoption survey to assess the level of awareness, implementation, challenges, and enablers of ESG integration among Nigerian MSMEs across key sectors and regions.

MSMEs and the Imperative for Sustainable Transformation

According to a 2021 report by the National Bureau of Statistics (NBS) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Micro, Small, and Medium Enterprises (MSMEs) represent over 96 percent of registered businesses, account for 88 percent of employment, and contribute about 48 percent of Nigeria's Gross Domestic Product (GDP). This scale of participation means that the sustainability performance of MSMEs will significantly shape Nigeria's progress toward inclusive and low-carbon growth.

Despite their economic importance, most MSMEs operate with limited awareness of Environmental, Social, and Governance (ESG) principles, often viewing sustainability as a compliance obligation rather than a strategic advantage. While large corporations are increasingly embedding ESG frameworks into their operations, adoption among MSMEs remains at an early stage. Emerging evidence underscores the need to assess current ESG adoption levels, identify barriers, and design targeted interventions that can support MSMEs in aligning with national and global sustainability goals.

Emerging Pathways and Persistent Gaps

Across Nigeria, examples are beginning to surface of MSMEs linking responsible business practices with improved efficiency and competitiveness. A small agro-processing firm in North Central Nigeria converts cassava waste into animal feed, cutting costs while reducing environmental pollution. Similarly, an ICT startup in the South-West powers its operations with solar energy, lowering overhead costs and enhancing its environmental credibility. These cases illustrate how ESG adoption can strengthen business resilience, open new market opportunities, and foster community impact.

However, such examples remain exceptions rather than the norm. Many MSMEs continue to face challenges such as low awareness, limited technical capacity, insufficient financing, and a lack of clear guidance on practical steps for ESG integration. These dynamics underscores the Bank of Industry's decision to undertake this study to generate empirical evidence on the current state of ESG adoption among Nigerian MSMEs.

Objectives of the Survey

Why ESG Matters Now

In a world grappling with climate change, social inequality, and governance challenges, purposeful ESG practices have gradually become a lifeline for businesses aiming to thrive. For Nigerian MSMEs, adopting ESG means cutting costs through energy efficiency, effective waste management system to reduce carbon emissions from landfills, building trust with customers and communities through ethical practices, and accessing new funding opportunities from sustainability-focused investors.

This national survey was designed to uncover how MSMEs are navigating this landscape and how strategic ecosystem actors can empower them to lead Nigeria's sustainable and green growth transformation. The objectives below reflect a vision to make ESG practical, impactful, and inclusive for every MSME, from the bustling markets of Lagos, Kano and Aba to the farms of Yola, Ondo and Sokoto.

Purpose of the ESG Adoption Survey

The survey serves as a diagnostic tool to:

1. **Gauge ESG Awareness and Adoption:** This is aimed to measure current levels of ESG understanding and implementation approaches amongst MSMEs.
2. **Uncover Barriers and Enablers to Progress:** From limited funds to lack of know-how, the survey sought to identify hindrances preventing MSMEs from embracing ESG, ensuring solutions address real-world challenges. In the same vein, the survey highlights the critical enablers to adoption for MSMEs that have successfully incorporated the principles in their operations.
3. **Identify the impact of sectorial, gender and geographic variations** in ESG adoptions.
4. **Link ESG to Financial Opportunities:** By exploring how ESG practices open doors to loans, grants, and investor interest, the survey aimed to show MSMEs that sustainability is a business advantage, not a burden.
5. **Foster Collaboration:** The survey identified opportunities for policy enhancement, product design and capacity building that financial institutions, regulators, private sector players and development partners can execute to support MSMEs on their transition journey.

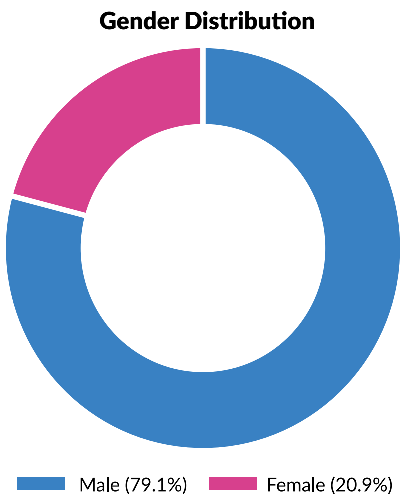
It is expected that the findings from this report will guide ecosystem actors in designing targeted interventions, improving finance frameworks and advancing Nigeria's transition toward a resilient and responsible MSME sector.

2. Study Population Demographics

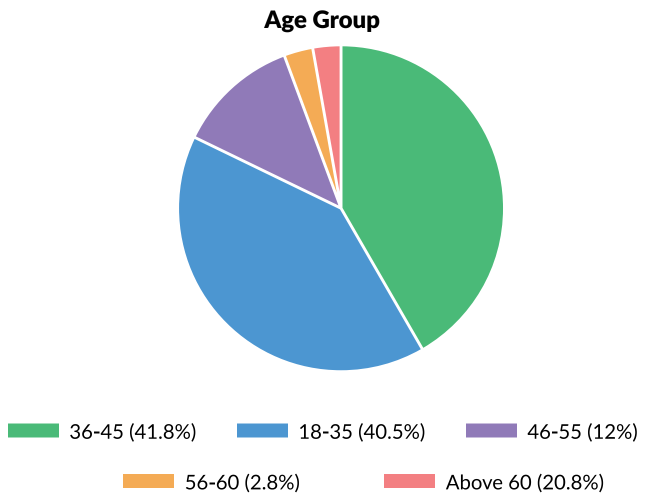
This national survey on *ESG Adoption by MSMEs in Nigeria* provides one of the most comprehensive primary data sets available on how MSMEs are engaging with sustainability within the country's evolving economic landscape. Conducted across the country's six geo-political zones, the survey captured over 300 valid responses from a diverse pool of MSMEs spanning manufacturing, agriculture, ICT, creative industries, and services. This geographic and sectoral diversity enhances the robustness of the analysis and offers nuanced insight into the levels of ESG awareness, practice, and institutional readiness among Nigerian MSMEs.

Respondent Demographics: Gender and Age

The survey reveals a strong **male dominance in MSME ownership**, with **79% of respondents male** and **21% female**. While the gender gap is evident, the proportion of female entrepreneurs represents meaningful progress, particularly given the increasing number of women-led enterprises emerging in agro-processing, fashion, healthcare, and education sectors. This underscores the growing inclusion of women in entrepreneurial spaces once considered capital- or energy-intensive.



Source: BOI ESG Adoption Survey (2025)



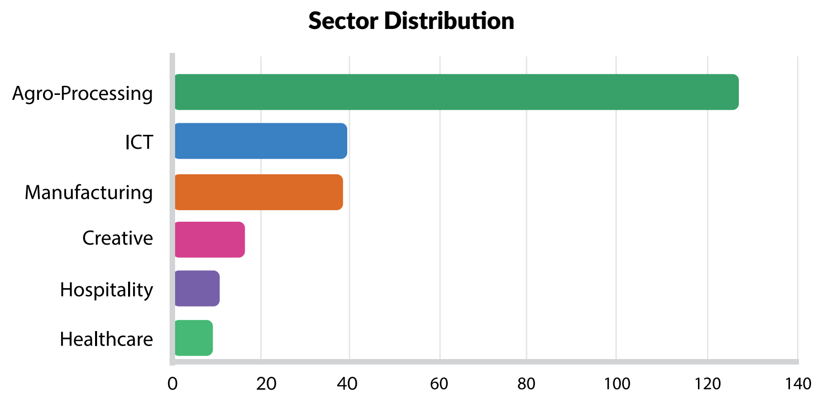
Source: BOI ESG Adoption Survey (2025)

Age distribution patterns show a vibrant, youthful base of sustainability-conscious entrepreneurs. Nearly **82% of all MSME promoters fall below age 45**, with **41.8% aged 36–45 years** and **40.5% between 18–35 years**. This demographic composition reinforces a critical insight: Nigeria's ESG adoption momentum is being driven primarily by younger, more adaptive business leaders open to innovation, technology, and sustainable business models.

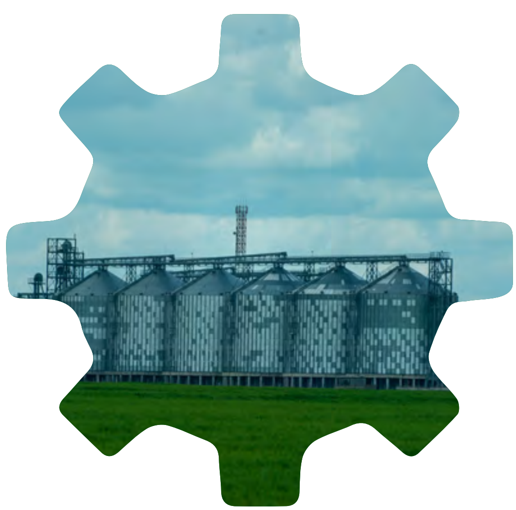
Sectoral Composition

The largest sector represented in the survey is **Agro-Processing**, accounting for **40%** of all respondents — a clear indicator of the dominance of agriculture and food-related value chains in Nigeria's MSME landscape. Following this are **ICT (12.7%), Manufacturing (12.3%),** and **Creative Industries (5.4%)**, which together constitute the core of Nigeria's productive economy. Smaller but strategically important sectors include **Hospitality (3.5%), Healthcare (3.2%), Engineering & Construction (1.6%),** and **Financial Services (1.6%)**.

This sectoral spread reflects the cross-cutting relevance of ESG principles across both traditional and emerging industries. For agro-processing firms, the environmental component dominates with focus areas such as energy efficiency, waste recycling, and water management. Whereas ICT and creative sector players lean more toward social and governance themes such as workforce welfare, diversity, and transparent management systems.

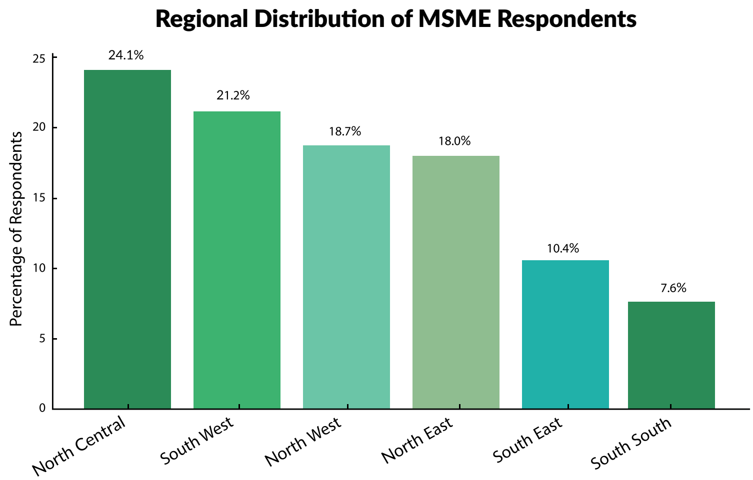


Source: BOI ESG Adoption Survey (2025)



Regional Spread and Inclusion

The survey achieved broad national representation



Source: BOI ESG Adoption Survey (2025)

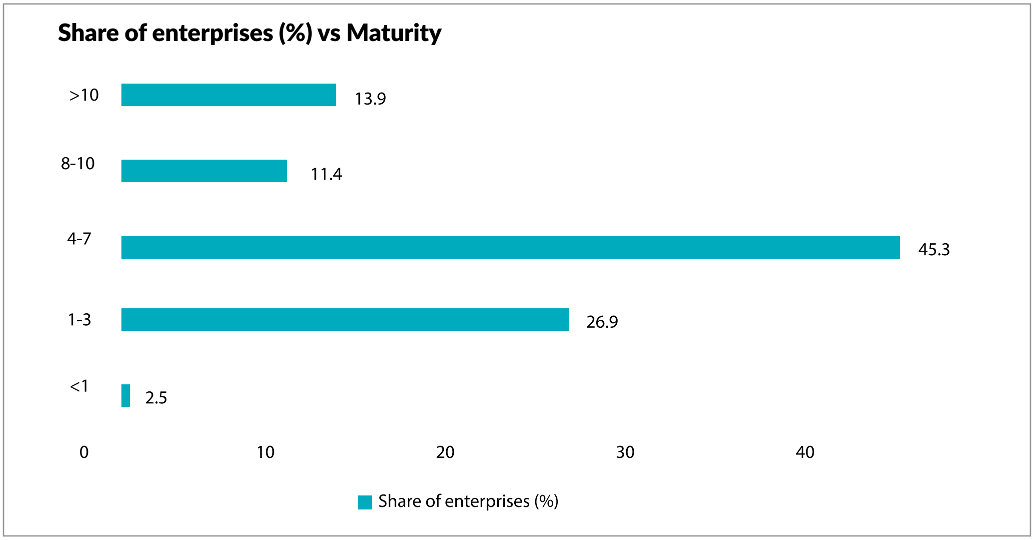
The regional distribution shows broad national coverage, with the North Central (24.1%) and South West (21.2%) zones contributing the largest shares of responses. The North West (18.7%) and North East (18.0%) also recorded strong participation, reflecting balanced representation across northern regions. Meanwhile, the South East (10.4%) and South South (7.6%) zones showed comparatively lower participation, suggesting regional differences in MSME engagement or survey reach. Overall, the distribution demonstrates strong participation across all six zones, with slightly higher concentration in the North Central and South West regions, both hosting dense clusters of industrial and agro-processing MSMEs.

The significant participation from the northern zones highlights rising ESG consciousness among entrepreneurs operating in regions often considered less industrialized but deeply engaged in agriculture, food processing, and small-scale manufacturing.

The regional distribution of respondents further suggests that awareness and engagement with ESG practices may be shaped by differences in economic structure and institutional presence across zones. The higher participation from the North Central and South West likely reflects the concentration of MSME clusters, stronger access to information networks, and proximity to financial and development institutions. In contrast, the lower response rates from the South East and South South may indicate gaps in outreach, limited institutional support, or weaker exposure to ESG initiatives. These variations underscore the need for region-specific sensitisation and capacity-building to ensure balanced national progress toward MSME sustainability.

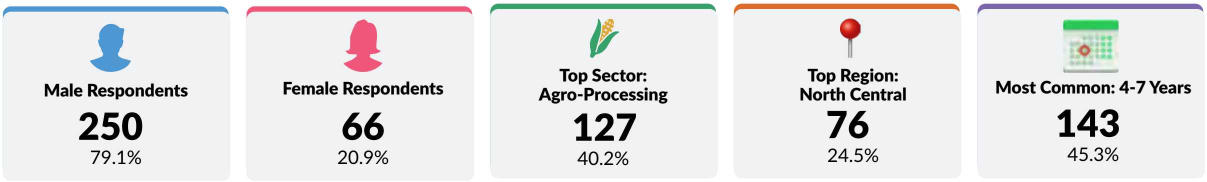
Enterprise Maturity and Longevity

The majority of surveyed enterprises fall within the **early-to-mid growth stages**.



Source: BOI ESG Adoption Survey (2025)

This indicates that most MSMEs are growing enterprises with established markets, modest structures, and increasing exposure to compliance expectations. The 4–7-year band represents a critical pivot stage where businesses begin to formalize policies, document processes, and adopt basic ESG systems to attract financing, institutional buyers, and partnerships.



Source: BOI ESG Adoption Survey (2025)

3. ESG Awareness amongst MSMEs

Small Steps, Big Impact

Results from the survey reveal that Nigerian MSMEs are increasingly recognizing ESG as a pathway to business efficiency, market competitiveness, and community value creation. Many respondents see ESG adoption as a means to reduce costs, attract customers, and contribute to local well-being rather than as an external compliance burden. This shift in perception signals the gradual mainstreaming of sustainability thinking within the MSME ecosystem. However, while awareness is rising, the depth of ESG integration remains uneven across firms and sectors, reflecting variations in capacity, financing, and institutional support. This section examines how MSMEs are translating ESG awareness into practice, highlighting progress made and the critical gaps that must be addressed to strengthen inclusive, sustainable enterprise growth in Nigeria.

Key Findings

- **Awareness is Growing:**
  72% of the MSMEs know about ESG, learning through multiple sources including social media (38%), government programs (25%), or business associations (15%). Yet, 28% remain unaware, especially in rural areas or less tech-savvy sectors like creative industries.

- **Environmental Practices Lead:**
  67% have adopted environmental practices, with waste recycling (58%), energy-efficient systems (42%), and water management (35%) topping the list. Solar power is gaining traction (25%), reflecting Nigeria's push for renewable energy.

- **Social Practices are Strong:**
  85% provide safe working conditions, and 71% pay minimum wages, showing a commitment to employee welfare. Community engagement, such as free training or clean-up drives, is practiced by 44%.

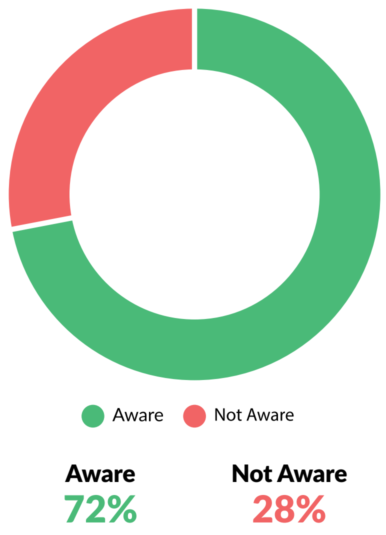
- **Governance is Common but Informal:**
  88% have defined job descriptions, and 32% have anti-bribery policies, but only 28% have formal environmental policies, suggesting a need for structured frameworks.

- **Familiarity Varies:**
  On a 1–5 scale, 45% rate their ESG knowledge at 3 or higher, with environmental practices best understood (48%), followed by social (25%) and governance (22%).

North East Agro-Processor: Mid-Stage Resilience

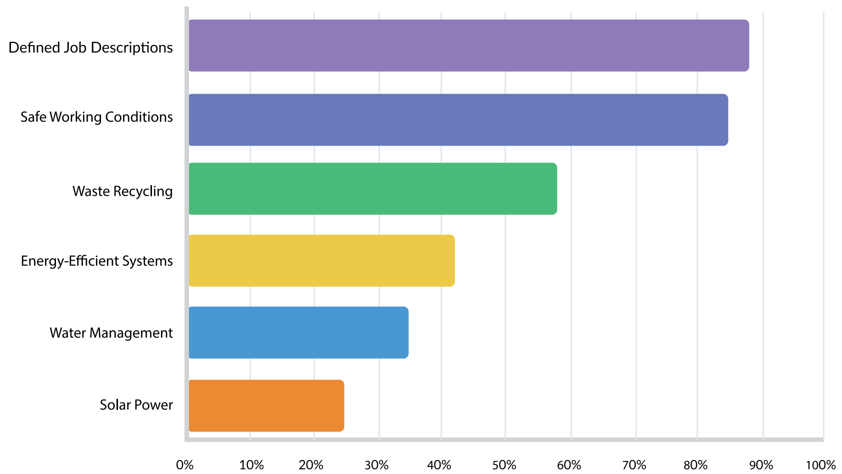
- **Company description:** Mid-stage (4-7 year old) family-run agro-processing company, led by a male founder.
- **Business operations:** Livestock feed miller for local markets
- **Key ESG practices:** Water management, a Health & Safety Policy, and Community Engagement initiatives.
- **Benefits:** 15–20% reduction in water issues, improved worker loyalty, and reliable suppliers via community ties.
- **Future Plans:** Formalize governance with defined roles and grievance mechanisms; pilot waste-to-value projects (e.g., husk briquettes); pursue entry-level certifications to guarantee access to green loans and regional supplier status.

ESG Awareness
Among MSMEs



Source: BOI ESG Adoption Survey (2025)

Top ESG Practices Adopted
Current Implementation by MSMEs



Source: BOI ESG Adoption Survey (2025)

Overall, MSMEs, show growing ESG consciousness, yet structured governance, formalized knowledge centres and rural inclusion remain key gaps that have limited MSMEs in taking advantage of prevailing opportunities to scale impact or attract investors.

Key Insight and Improvement Areas

- **Targeted Multi-Channel Campaigns:**
  Deploy zonal campaigns (via radio/social to build rural awareness especially among micro enterprises in rural communities.
- **Modular Education Pathways:**
  Deploy toolkits on environmental Return on Investment (ROI) and governance basics, prioritizing female and youth participation.

4. Current realities of ESG Adoption

Facing the Hurdles Head-On

For every MSME, like the agro-processing company using cow dung as fertilizer to reduce waste, there is a struggle to start their ESG journey. This section explains the current ESG adoption landscape across MSMEs.

Key Findings

- **Adoption levels versus understanding of what ESG practices are:**
  When asked if they were aware of ESG practices, 64% of total respondents responded in the affirmative. However, when asked to pick practices that they currently implement, 90% of the total survey respondents selected at least one ESG practice. This shows that there is a gap in technical understanding of what ESG principles are. It also shows that due to a lack of understanding, it is very plausible that MSMEs have adopted practices without knowing they are already contributing to their decarbonization journey.

- **Regional Differences:**
  North-West and North-East MSMEs cite acute funding shortages (85% and 80% respectively) as a limitation to adopt, while South-South businesses struggle with technical expertise (70%).

- **Gender Mix:**
  - Male-led: 78% with 75% ESG awareness and 70% adoption.
  - Female-led: 22% with 63% awareness and 58% adoption.

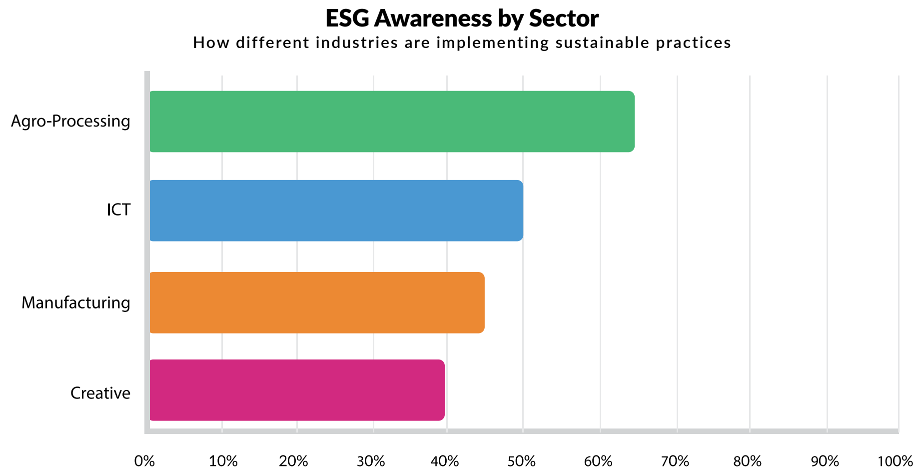
- **Age Bracket:**
  - 18–35 years: 45% with 80% aware, 68% adopting.
  - 36–45 years: 40% with 70% aware, 65% adopting.
  - 46+ years: 15% with 62% aware, 54% adopting.

Gender Gap: The survey results emphasize the need for targeted support programs for female entrepreneurs to bridge the ESG adoption gap.

Age Advantage: Younger business leaders (18-35 years) demonstrate the highest ESG awareness, likely due to greater exposure to sustainability concepts in recent education and training. It is also observed that awareness and adoption decline with age.

Strategic Implication: The 18-35 year age bracket presenting an opportunity to leverage this demographic as champions for broader ESG adoption across the MSME sector.

Sectoral Analysis



Source: BOI ESG Adoption Survey (2025)

Agro-Processing

Share of ESG Aware Respondents

48%

KEY ESG PRACTICES

Waste Management	**65%**
Water Management	**40%**

Driver: Environmental needs and cost savings from resource efficiency

ICT

Share of ESG Aware Respondents

15%

KEY ESG PRACTICES

Energy Efficiency	**50%**
Solar Power	**35%**

Driver: Leveraging technology capabilities for sustainability solutions

Creative

Share of ESG Aware Respondents

8%

KEY ESG PRACTICES

Social Practices	**40%**

Focus: Lags in environmental adoption, prioritizes social practices like community engagement

Manufacturing

Share of ESG Aware Respondents

7%

KEY ESG PRACTICES

Waste Management	**45%**

Approach: Moderate adoption with emphasis on waste management and governance structures

Source: BOI ESG Adoption Survey (2025)

Key Findings

- **Agro-Processing Dominates:**
  Representing 48% of ESG-aware MSMEs, agro-processing leads ESG adoption with 65% implementing waste management practices. This sector's direct connection to natural resources drives strong environmental practices, complemented by tangible cost savings from resource efficiency.

- **Tech-Enabled Sustainability:**
  The ICT sector (15% of ESG-aware MSMEs surveyed) demonstrates how technological capabilities can facilitate ESG adoption, with 50% implementing energy-efficient systems and 35% using solar power. This shows technology businesses practice what they enable.

- **Creative Sector Opportunity**
  With significant focus on social practices, the creative industry represents an untapped opportunity for environmental adoption. These businesses focus more on social impact through community engagement, suggesting a need for tailored ESG frameworks that align with their values-driven business models.

- **Manufacturing sector provides a balanced approach:**
  MSMEs in the manufacturing sector (and accounting for 7% of ESG-aware respondents) show moderate adoption levels (45%), balancing environmental practices like waste management with governance structures, reflecting the sector's operational complexity and regulatory awareness.

South East Design Manufacturer: Formalized Innovation

- **Company description:** 4–7-year-old female-owned business
- **Business operations:** Manufacturer of fashion products.
- **Key ESG practices:** Fabric waste recycling, energy-efficient machinery, Health & Safety Policies, Community Engagement, and Grievance Redress Mechanisms, driven by client compliance needs and export opportunities.
- **Benefits:** 15–20% cost reductions from waste/energy optimizations, improved product quality, and team retention.
- **Future Plans:** Integrate renewables (e.g., solar for dyeing); pursue ISO-aligned certifications for financing and market access; leverage partnerships for women-led initiatives.

Key Insights and Improvement Areas

1. **Deepen Awareness & Customization**:
   Localized and tailored ESG drives to address understanding and relevance of ESG practices is required. Awareness campaigns must be tailored to the sector specifics and business size of the MSMEs.

2 **Formalize Governance**:
   Create and train MSMEs on the use of ESG templates to improve formalization.

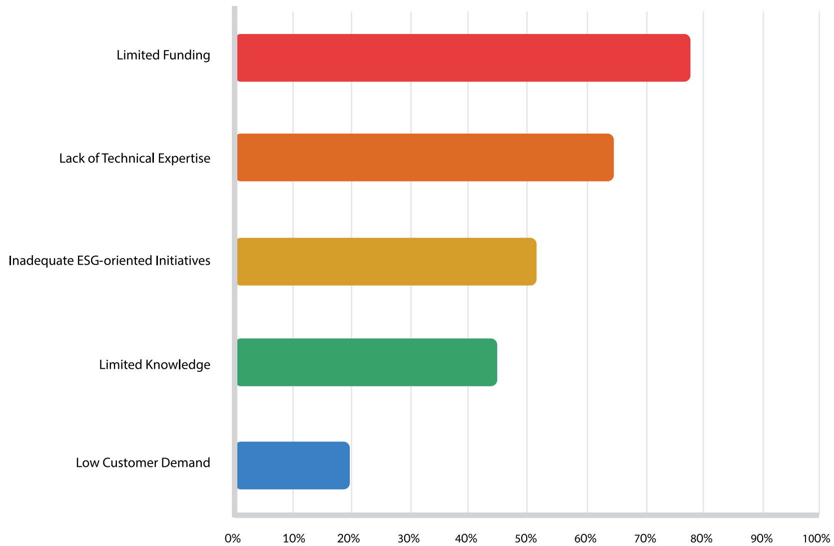
3 **Bridge Inclusion Gaps**:
   Specific and targeted focus on women MSMEs is necessary.

5. Barriers and Enablers to ESG Adoption

The survey further shows that limited funds, lack of know-how, and unclear opportunities create roadblocks for adoption. This section highlights the challenges showing why they matter and how they can be overcome with practical solutions.

Top Barriers to ESG Adoption

Key challenges facing MSMEs in implementing sustainable practices



Source: BOI ESG Adoption Survey (2025)

Limited Funding
78%
Primary Barrier

Lack of Technical Expertise
65%
Skills Gap

Inadequate ESG-oriented Incentives
52%
Growth enabling initiatives required

Limited Knowledge
45%
Caused by lack of awareness

Low Customer Demand
20%
Limited market requirements

Source: BOI ESG Adoption Survey (2025)

Financial limitations (78%) and lack of technical expertise (65%) remain the leading barriers to ESG adoption, underscoring the need for targeted financing and capacity-building support for MSMEs. With lack of customer demand cited by only 20% of respondents, the survey findings show that market forces alone are insufficient to drive ESG adoption. Opportunities also exist to implement incentives to drive regulatory policies and encourage adoption.

Link between ESG Adoption and Financial Management

Sustainability as a Financial Key

When a North-Western Poultry Farm started recycling animal waste, it not only cleaned up its environment but also earned extra income, making it more attractive to lenders. ESG practices are a powerful tool for MSMEs to unlock capital, first from within the business, and then from external capital providers including financial institutions and equity investors. This section explores how sustainability drives financial opportunities.

Key Findings

- **Financial Benefits:**
  65% of MSMEs link the adoption of ESG practices to increased operating income, with 45% citing cost savings and 40% noting customer trust.
- **Success Stories:**
  MSMEs gained revenue from various ESG-linked initiatives such as waste-to-manure in the agriculture sector and sustainable leather sourcing in the fashion industry.
- **Funding Gaps:**
  Only 12% have accessed ESG-compliant finance, despite 78% citing access to capital as a barrier and showing a need for better awareness of available ESG-linked financing in the Nigerian market.

North Central Agro-Processor: Early-Stage Ambition

- **Company description:** Early-stage, male-led venture (1–3 years old)
- **Business operations:** Rice and maize processor with offtake in urban markets
- **Key ESG practices:** Waste recycling, energy-efficient systems, water management, solar power, Health & Safety Policies, Community Engagement, and Grievance Redress Mechanisms, positioning it for investor appeal and financing despite inconsistent demand.
- **Benefits:** 25% utility cost savings from solar, enhanced community goodwill, and stronger credit profiles.
- **Future Plans:** Develop SOPs with KPIs (e.g., kWh per ton); secure financing for equipment; obtain certifications to attract niche buyers and the export market.

Key Insights and Improvement Areas

- **Finance as the Primary Catalyst (85% demand):**
  ESG-compliant products with targeted loan features are required.

- **Targeted Capacity Building (65% demand):**
  Sector-based training with clear link of ESG initiatives to show income/operational benefits are required to close knowledge gaps.

- **Inclusive Leverage for Broader Reach:**
  Engaging young MSME leaders as ESG champions and introducing women-focused ESG-compliant credit windows could narrow the gender adoption gap.

- **De-Risking ESG Finance:**
  Leveraging blended financing with output-based capital, targeting high-need zones and women-owned firms are some initiatives that can be executed to improve access to ESG-linked capital.

- **Scale Technical Upskilling via Regional Hubs:**
  Ecosystem actors can create specialized ESG hubs to deliver ESG education related to business operations, project development support, ESG measurement methods and other business support activities to increase bankability of ESG-focused projects.

- **Foster Inclusive Acceleration:**
  Allocate reasonable ESG program capacity to women and older entrepreneurs through mentorship cohorts linking young (18–35) champions with senior peers to bridge adoption divide.

6. Fostering Collaboration

Building Bridges to Sustainability

Imagine a world where every MSME has the tools to adopt ESG: affordable loans to install solar panels, training to manage waste, and government incentives to reward their efforts. This section outlines practical steps to make that vision real, drawing on survey insights to show how BOI and partners can support MSMEs.

Key Findings

1. **Financial Support:**
   Financial support is overwhelmingly the most desired form of assistance as highlighted by about 85% of respondents, reflecting the critical funding gap MSMEs face generally and in ESG adoption specifically.

2. **Technical Training:**
   About 65% of respondents mentioned that beyond capital, businesses need capacity building to successfully implement ESG initiatives. The data suggests that a dual approach that combines financial resources and skills development would be most effective.

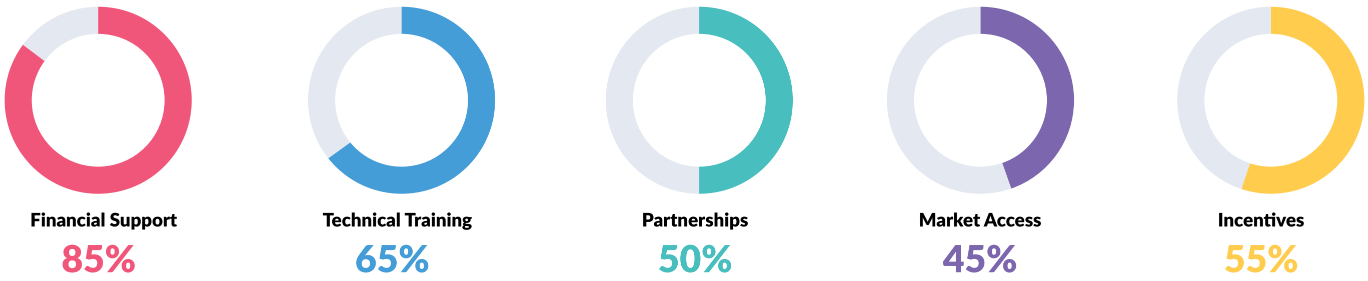
3. **Lack of understanding of market demand for ESG**

South South Agro-Processor: Decade-Long Ethics

- **Company description:** 8–10-year-old, female-led agro-processing company
- **Business operations:** Food based products sold in local markets
- **Key ESG practices:** Health & Safety measures, Community Engagement, and Grievance Redress Mechanisms; environmental efforts are emerging.
- **Benefits:** Enhanced brand reputation attracting institutional buyers, resilient supplier networks, and community advocacy.
- **Future Plans:** Explore waste-to-energy and renewables; obtain formal certifications for green capital;

Desired Support for ESG Adoption

Priority areas for supporting sustainable business practices



Key Insights and Improvement Areas

- **Targeted Financing for basic ESG upgrades:**
  Financiers should support ESG adoption by developing targeted financial products beyond solar system financing. Potential areas of opportunity for financing include energy efficiency retrofits, water/waste management and safety equipment. A next level may be to structure these financial instruments with performance-linked rebates or grace periods tied to ESG milestones.

- **Tailored capacity building for MSMEs:**
  Enterprise Development Partners to teach MSMEs about sector-specific ESG-driven content on waste management, energy efficiency, smart/sustainable agriculture, climate resilience and adaptation, social inclusion and governance.

- **Increase transparency on ESG requirements by market:**
  Ecosystem actors should come together to develop and publish supplier ESG checklists to aid MSMEs in their understanding of ESG expectations by local and international partners. A supplier certification process to show that an MSME is an ESG-ready supplier may also be introduced to signal to the market and capital providers that an MSME has imbibed ESG practices in its activities.

- **Creation of ESG toolkits:**
  Like accounting packages that exist for MSMEs, ecosystem actors should digitize ESG toolkits for MSMEs to access. These could include document templates for ESG related policies, operating manuals, checklists, etc.

- **Awareness campaigns:**
  Use print and digital media and business associations to share success stories, inspiring others to follow.

- **Enhanced ESG-linked incentives:**
  It is encouraged that ESG related guidelines be tailored to MSMEs with the introduction of incentives to drive adoption. These may include tax credits for reduction of carbon footprint, levy waivers or cost reductions in HSE related certifications, etc.

Proposed ecosystem of stakeholders to drive ESG adoption

The ecosystem comprises five interdependent pillars: Financiers (capital allocators), Technical Providers (knowledge enablers), Regulators (framework setters), Aggregators (market bridge-builders), and Implementers (on-ground actors). Top-line responsibilities emphasize accountability metrics and collaborative governance as follows:.

Ecosystem Actor	Role / Function
Financiers *(DFIs, Banks, Private Equity, Venture Capital, Impact Investors)*	**De-Risk and Channel Capital** • Provide concessional, ESG-tagged funding to bridge financing gaps.
Technical Providers *(Universities, NGOs, Hubs, Enterprise Development Partners, Development Agencies, Business Development Support Providers)*	**Build Technical and Behavioral Capacity** • Deliver scalable training and toolkits for priority practices such as waste recycling, energy efficiency, and water management.
Regulators *(e.g., CAC, NESREA, FMEnv, SMEDAN)*	**Customize Clear, Incentive-Laden Frameworks** • Harmonize/tailor policies to MSMEs while introducing incentives to drive ESG adoption.
Aggregators *(e.g., MAN, NACCIMA, Chambers, Trade Associations)*	**Amplify Market Signals and Peer Networks** • Curate buyer-supplier linkages to convert trust benefits into actionable contracts.
Implementers *(MSMEs & Communities)*	**Ground and Iterate ESG Practices** • Embed and refine ESG initiatives leveraging social foundation, feeding data back into the ecosystem for continuous improvement.

7. Way Forward

A Vision for Sustainable Enterprise Transformation

Nigeria's MSMEs are at the heart of the nation's growth story, and their capacity to thrive in a rapidly changing global economy depends on how well they adapt to sustainability imperatives. This survey, the first of its kind, led by the Bank of Industry (BOI), set out to:

- Gauge the level of ESG awareness and adoption among MSMEs;
- Identify barriers and enablers to ESG integration;
- Assess how ESG practices relate to financial opportunities and access to funding;
- Examine sectoral, gender, and regional variations in adoption; and
- Propose pathways for collaboration among ecosystem actors to strengthen ESG readiness.

The findings provide a strong evidence base to chart Nigeria's next phase of MSME sustainability transition. They reveal a sector awakening to opportunity, yet still constrained by structural barriers that must now be addressed through coordinated action.

A Call to Action

Ecosystem actors are now called to address the barriers as follows:

1. Deepen ESG Awareness and Literacy

The survey confirmed encouraging awareness levels but revealed gaps in understanding the "how" of ESG integration—especially among micro and female-led enterprises.

To address this:

- Targeted awareness campaigns should be rolled out through zonal MSME hubs, trade associations, and media channels to localize ESG messaging.
- Modular ESG toolkits and e-learning programs should be designed to translate complex concepts into practical business actions, emphasizing the return on investment (ROI) from imbibing ESG initiatives.
- Youth-led businesses, which demonstrate higher adoption rates, should be positioned as ESG ambassadors to mentor peers and amplify grassroots impact.

2. Address Financial Barriers through Innovative Products

Limited funding remains the most binding constraint. ESG integration cannot thrive without dedicated, accessible, and de-risked financing mechanisms.

- Financial institutions should create tailored ESG-linked loan products that take into consideration the peculiarities of MSMEs in the various sectors of operations.
- Blended finance models and results-based incentives can support early-stage adopters, especially women and youth-led MSMEs.

3. Build Technical Capacity and Sector-Specific Support Systems

A lack of technical expertise was identified as a major obstacle to ESG implementation. To close this gap:

- Stakeholders are encouraged to establish regional ESG Capacity Hubs. These hubs should deliver sector-tailored training to drive deeper understanding of ESG practices and support sectoral growth.
- Promote train-the-trainer models to ensure scalability and sustainability of knowledge transfer.

4. Strengthen Governance and Institutionalization

While MSMEs demonstrate emerging environmental and social practices, governance structures remain weak.

- Introduce simplified templates for ESG policies and reports. This will help MSMEs formalize their governance processes and embed transparency into their operations.
- Encourage trade associations to include ESG compliance in membership requirements
- Promote certification schemes e.g. ESG-Compliant certifications for MSMEs to signal credibility to lenders, buyers and investors

5. Foster Multi-Stakeholder Collaboration and ESG-linked Incentives

The survey's final objective of fostering collaboration underscores the need for an interconnected ecosystem. MSMEs cannot advance ESG adoption in isolation. Government and private sector stakeholders need to collaborate to create a thriving environment that aligns policy, finance, incentives and capacity development to support MSMEs on their transition journey.

6. Linking ESG to Financial Opportunity and Market Access

The survey revealed that MSMEs already recognize ESG as a financial enabler. To reinforce this phenomenon, ecosystem actors should explore:

- Establishing supplier linkages to connect compliant MSMEs with institutional buyers and export markets.
- Encouraging value-chain leaders to embed ESG requirements within procurement and contracting standards, creating trickle-down incentives for smaller firms.

7. Measuring Impact and Sustaining Progress

To ensure long-term relevance, ESG adoption among MSMEs should be tracked and evaluated systematically.

- Develop a national ESG adoption index for MSMEs to monitor progress, identify lagging regions, and inform policy updates.
- Use periodic surveys, impact assessments, and digital dashboards to capture data on emissions savings, jobs created, and capital mobilized.
- Strengthen feedback loops so that the experiences of MSMEs directly inform ESG/sustainability-linked finance product design and national policy advocacy.

Conclusion

The 2025 ESG Adoption Survey marks a turning point in Nigeria's journey toward inclusive and sustainable enterprise development. It demonstrates that awareness is no longer the problem. Rather, enablement is the way forward. The path demands that ecosystem actors move from diagnosis to execution, from awareness to capability, from interest to investment, and from commitment to measurable impact.

By aligning finance, policy, and capacity around a shared vision, Nigeria can empower its MSMEs not just to comply with sustainability standards, but to lead the country's green industrial transformation. The Bank of Industry remains at the forefront of this mission—mobilizing capital, partnerships, and innovation to ensure that every MSME has the opportunity to grow responsibly, competitively, and sustainably.

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