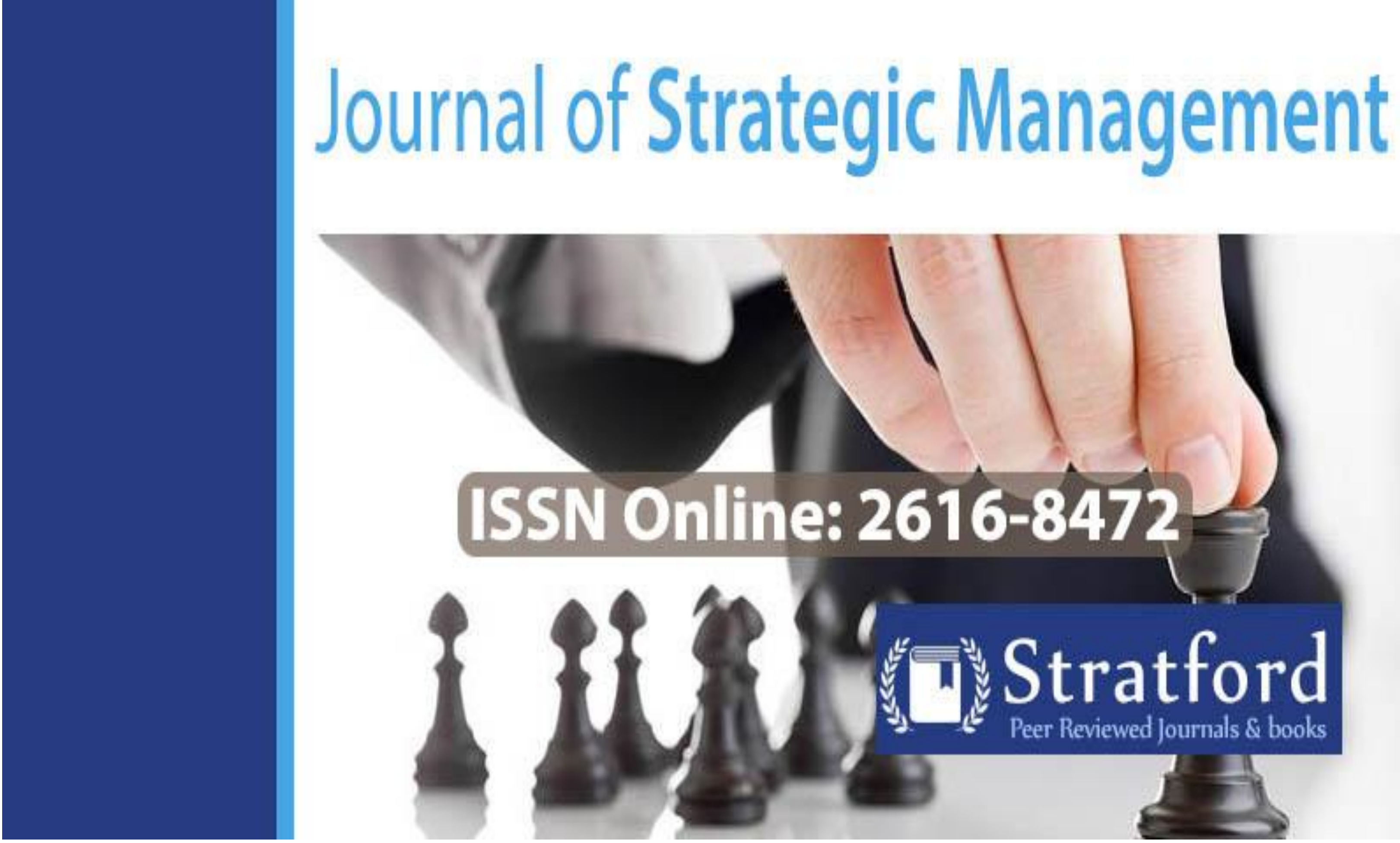

Integrating Environmental, Social, and Governance (ESG) Principles into Corporate Strategy to Enhance Organizational Performance: Evidence from Commercial Banks in Rwanda

Jean Claude Harerimana & Dr. Njenga Gitahi

ISSN: 2616-8472

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

Integrating Environmental, Social, and Governance (ESG) Principles into Corporate Strategy to Enhance Organizational Performance: Evidence from Commercial Banks in Rwanda

[*1]Jean Claude Harerimana & Dr. Njenga Gitahi

[1]Master Student, Mount Kenya University

[2]Lecturer, Mount Kenya University

***Email of the Corresponding Author: charerimana250@gmail.com**

How to cite this article: Harerimana, J. C. & Gitahi, N. (2026). Integrating Environmental, Social, and Governance (ESG) Principles into Corporate Strategy to Enhance Organizational Performance: Evidence from Commercial Banks in Rwanda. Journal of Strategic Management, 10(3), 101-119. https://doi.org/10.53819/81018102t3180

Abstract

The integration of Environmental, Social, and Governance (ESG) principles into corporate strategy has become increasingly important for enhancing organizational performance and promoting sustainable business practices in the banking sector. Despite growing global attention to ESG, evidence of its implementation and impact on organizational performance in developing countries, particularly Rwanda, remains limited. This study examined the integration of ESG principles into corporate strategies and their effect on organizational performance among commercial banks in Rwanda. Specifically, it assessed the extent of ESG integration, evaluated its influence on organizational performance, and explored the institutional and operational challenges affecting implementation. A mixed-methods research design was employed, combining quantitative and qualitative approaches. Primary data were collected from 200 respondents, including commercial bank staff and customers, through structured questionnaires. Key informant interviews were also conducted with representatives from commercial banks and the Rwanda Bankers Association. Quantitative data were analyzed using descriptive statistics, Pearson correlation, and multiple linear regression in SPSS version 27, while qualitative data were analyzed using thematic analysis. The findings revealed that ESG principles have been moderately integrated into the corporate strategies of commercial banks in Rwanda. Regression analysis demonstrated that ESG integration has a positive and statistically significant effect on organizational performance. However, institutional constraints, limited staff capacity, inadequate financial resources, insufficient regulatory support, and operational challenges continue to hinder effective implementation. Qualitative findings further emphasized the need for stronger leadership commitment, enhanced stakeholder collaboration, and improved ESG governance structures. The study concludes that strengthening ESG integration can significantly enhance organizational performance and long-term sustainability in Rwanda's banking sector. It recommends that commercial banks establish dedicated ESG governance structures, build employee capacity, and improve regulatory compliance to support effective implementation.

Keywords: *Integrating Environmental, Social, Governance (ESG), Corporate Strategy, Organizational Performance*

1.0 Background of the Study

Environmental, Social, and Governance (ESG) principles have emerged as a critical framework for promoting sustainable business practices and enhancing long-term organizational performance across industries. ESG integration enables organizations to incorporate environmental stewardship, social responsibility, and sound governance into strategic decision-making, thereby improving risk management, operational efficiency, stakeholder confidence, and competitive advantage (Friede et al., 2015). In the banking sector, ESG has become increasingly important because financial institutions influence sustainable development through lending decisions, investment strategies, and corporate governance practices. Globally, regulators, investors, and customers are placing greater emphasis on responsible banking practices that align with sustainable development goals and international reporting standards. Frameworks such as the United Nations Principles for Responsible Banking (UNEP FI, 2019), the Global Reporting Initiative (GRI), and the Sustainability Accounting Standards Board (SASB) have encouraged banks to integrate ESG considerations into their corporate strategies and business operations. Empirical evidence suggests that effective ESG integration enhances financial performance, improves corporate reputation, strengthens stakeholder relationships, and reduces environmental and social risks (Eccles et al., 2014; Friede et al., 2015).

In Africa, the adoption of ESG principles is steadily increasing as financial institutions respond to regulatory reforms, climate change concerns, and investor expectations. Several African central banks have introduced sustainable finance frameworks that encourage financial institutions to incorporate ESG considerations into lending, investment, and risk management practices. Despite these developments, ESG implementation across the continent remains uneven due to institutional capacity constraints, limited technical expertise, inadequate reporting systems, and inconsistent regulatory enforcement (International Finance Corporation [IFC], 2023). In Rwanda, the financial sector has demonstrated growing commitment to sustainable finance through initiatives led by the National Bank of Rwanda and the Rwanda Bankers Association. Commercial banks have increasingly incorporated environmental and social considerations into lending decisions, governance structures, and strategic planning to support national development priorities and the Sustainable Development Goals. Nevertheless, the extent to which ESG principles are integrated into corporate strategies and their contribution to organizational performance remains insufficiently documented. Furthermore, institutional and operational challenges continue to affect the effective implementation of ESG practices across commercial banks. Although previous studies have examined ESG practices and corporate performance in developed economies, empirical evidence from Rwanda's banking sector remains limited. This study therefore examined the extent of ESG integration into corporate strategies, assessed its influence on organizational performance, and identified the institutional and operational challenges affecting ESG implementation among commercial banks in Rwanda. The findings contribute to the growing body of knowledge on sustainable banking and provide practical insights for financial institutions, policymakers, and other stakeholders seeking to strengthen ESG practices in emerging economies.

1.1 Statement of the Problem

The integration of Environmental, Social, and Governance (ESG) principles into corporate strategy has become a global priority as organizations seek to enhance sustainability, strengthen governance, and improve long-term performance. Financial institutions worldwide are

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

increasingly incorporating ESG considerations into lending, investment, and risk management practices in response to regulatory requirements, stakeholder expectations, and sustainable development goals (IFC, 2023; World Economic Forum, 2024). In Rwanda, commercial banks have made notable progress in promoting sustainable finance through initiatives led by the National Bank of Rwanda and the Rwanda Bankers Association. However, the implementation of ESG principles remains inconsistent due to institutional, operational, and financial challenges that limit their effective integration into corporate strategies. Previous studies (Eccles et al., 2014; Friede et al., 2015; IFC, 2023) have primarily examined the relationship between ESG practices and organizational performance in developed countries, while empirical evidence from Rwanda's banking sector remains limited.

Moreover, existing studies have paid little attention to the combined examination of the extent of ESG integration, its influence on organizational performance, and the institutional and operational challenges affecting its implementation in commercial banks. This knowledge gap provided the basis for the present study, which examined the integration of ESG principles into corporate strategies, assessed their influence on organizational performance, and identified the challenges hindering effective ESG implementation among commercial banks in Rwanda.

1.2 Objectives of the Study

To examine the integration of Environmental, Social, and Governance (ESG) principles into corporate strategies and their influence on organizational performance among commercial banks in Rwanda.

1.2.1 Specific Objectives

i. To assess the extent to which ESG principles are integrated into the corporate strategies of commercial banks in Rwanda.
ii. To determine the influence of ESG integration on organizational performance among commercial banks in Rwanda.
iii. To examine the institutional and operational challenges affecting the integration of ESG principles into corporate strategies among commercial banks in Rwanda.

2.0 Literature Review

This section reviews both theoretical and empirical literature relevant to Environmental, Social, and Governance (ESG) integration, organizational performance, and the challenges affecting ESG implementation. It also outlines the theoretical and conceptual frameworks guiding the study.

2.1 Theoretical Literature

The theoretical literature provides the foundation for understanding ESG integration, organizational performance, and the institutional and operational challenges that influence effective implementation.

2.1.1 Environmental, Social, and Governance (ESG) Integration

Environmental, Social, and Governance (ESG) integration refers to the systematic incorporation of environmental, social, and governance considerations into an organization's strategic planning, decision-making processes, and business operations to promote sustainable value creation and long-term organizational performance. Environmental considerations focus on responsible

https://doi.org/10.53819/81018102t3180

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

resource utilization, climate risk management, pollution control, and environmental protection. Social considerations emphasize employee welfare, customer satisfaction, stakeholder engagement, diversity, and community development, while governance focuses on corporate leadership, transparency, accountability, ethical conduct, and effective risk management (Eccles et al., 2014; Friede et al., 2015). Within the banking sector, ESG integration has become an important strategy for strengthening sustainable finance, improving corporate reputation, enhancing stakeholder confidence, and managing environmental and social risks associated with lending and investment decisions. Globally, financial institutions are increasingly embedding ESG principles into their corporate strategies to comply with regulatory requirements, attract responsible investment, and achieve sustainable competitive advantage. However, the level of ESG implementation varies across institutions, particularly in developing economies where institutional capacity, regulatory support, and technical expertise remain significant challenges. These variations justify the need to examine the extent of ESG integration and its contribution to organizational performance among commercial banks in Rwanda.

2.1.2 Organizational Performance

Organizational performance refers to an organization's ability to achieve its strategic goals through the efficient and effective utilization of available resources. It is a multidimensional concept encompassing both financial and non-financial outcomes, including profitability, operational efficiency, customer satisfaction, innovation, employee productivity, and long-term sustainability (Reeves, 2024). As organizations operate in increasingly competitive and dynamic environments, performance is no longer assessed solely on financial returns but also on the organization's capacity to create sustainable value for stakeholders while adapting to changing market conditions. Organizational performance is commonly evaluated using financial indicators such as return on assets and return on equity, operational indicators that measure process efficiency and service quality, customer-related indicators including satisfaction and retention, and learning and growth indicators that assess employee development and innovation (Indeed Editorial Team, 2025). In the banking sector, the integration of Environmental, Social, and Governance (ESG) principles has become an important driver of organizational performance by improving corporate governance, strengthening risk management, enhancing stakeholder confidence, and promoting sustainable competitive advantage. Consequently, organizations that effectively integrate ESG principles into their corporate strategies are more likely to achieve superior financial performance, operational excellence, and long-term sustainability.

2.1.3 Institutional and Operational Challenges Affecting ESG Integration

The successful integration of Environmental, Social, and Governance (ESG) principles into corporate strategies depends not only on organizational commitment but also on the institutional and operational environment within which organizations operate. Institutional and operational challenges refer to barriers that hinder organizations from effectively adopting, implementing, monitoring, and reporting ESG practices. One of the major institutional challenges is the lack of clear regulatory frameworks and standardized reporting requirements, which often results in inconsistencies in ESG implementation and disclosure. According to the Organisation for Economic Co-operation and Development (OECD, 2023), the absence of harmonized ESG standards makes it difficult for organizations to compare performance, ensure transparency, and demonstrate accountability. In addition, many organizations face shortages of personnel with adequate ESG knowledge and technical expertise, limiting their ability to conduct sustainability reporting, environmental risk assessments, and governance compliance activities. The International Finance Corporation (IFC, 2024) emphasizes that continuous capacity building and institutional support are essential for strengthening ESG implementation across organizations.

Operational challenges also significantly affect the successful implementation of ESG principles. Effective ESG integration often requires substantial investments in staff training, monitoring systems, data management infrastructure, and reporting mechanisms, making implementation costly for many organizations. Deloitte (2023) identifies high implementation costs, inadequate data availability, and poor-quality ESG information as some of the most common barriers to ESG adoption globally. Furthermore, leadership commitment and organizational culture play a critical role in allocating resources, establishing sustainability priorities, and promoting responsible business practices. Within the banking sector, these institutional and operational challenges may hinder effective ESG implementation, weaken regulatory compliance, and reduce the potential contribution of ESG initiatives to organizational performance. Addressing these barriers requires coordinated efforts among regulators, financial institutions, development partners, and other stakeholders to strengthen governance systems, enhance institutional capacity, and promote sustainable finance practices.

2.2 Empirical Literature

The empirical literature highlights global and regional evidence on ESG integration, its impact on organizational performance, and the challenges affecting implementation.

2.2.1 ESG Integration in Corporate Strategies

The integration of Environmental, Social, and Governance (ESG) principles into corporate strategy has become increasingly important as organizations seek to achieve sustainable growth, strengthen stakeholder confidence, and improve long-term organizational performance. ESG integration involves embedding environmental responsibility, social considerations, and sound governance practices into strategic planning, operational activities, and decision-making processes. According to Kotsantonis and Serafeim (2019), organizations that systematically integrate ESG principles into their corporate strategies are better positioned to manage emerging risks, enhance corporate reputation, and create sustainable value for both shareholders and society. Consequently, ESG has evolved from a voluntary corporate initiative into a strategic management approach that supports long-term competitiveness and resilience. The successful integration of ESG principles requires organizations to establish effective governance structures, incorporate sustainability objectives into strategic planning, strengthen risk management systems, and promote stakeholder engagement. Velte (2022) argues that organizations with strong leadership commitment and well-developed governance mechanisms are more likely to achieve effective ESG implementation than those where sustainability initiatives remain operational rather than strategic. Similarly, the International Finance Corporation (IFC, 2024) emphasizes that ESG integration should be supported by clear reporting frameworks, employee capacity building, and continuous monitoring to ensure accountability and transparency. Within the banking sector, ESG integration has become increasingly important because financial institutions influence sustainable development through lending policies, investment decisions, and responsible corporate governance practices.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

2.2.2 ESG Integration and Organizational Performance

The integration of Environmental, Social, and Governance (ESG) principles has increasingly been recognized as a strategic approach for improving organizational performance and creating long-term value. Organizations are no longer evaluated solely on financial outcomes but also on their ability to manage environmental impacts, fulfill social responsibilities, and maintain sound governance practices. According to Friede, Busch, and Bassen (2015), organizations that effectively integrate ESG principles into their corporate strategies generally achieve superior financial performance, stronger stakeholder confidence, and improved risk management. Their comprehensive meta-analysis of more than 2,000 empirical studies demonstrated that ESG integration contributes positively to long-term organizational success by enhancing operational resilience and sustainable value creation. Consequently, ESG has become an important strategic tool for organizations seeking to balance profitability with environmental and social responsibility.

Within the banking sector, ESG integration supports organizational performance by strengthening governance systems, improving lending decisions, enhancing operational efficiency, and promoting sustainable finance. Financial institutions that incorporate ESG considerations into corporate strategy are better positioned to manage environmental and social risks, comply with regulatory requirements, improve customer satisfaction, and strengthen corporate reputation. Velte (2022) argues that organizations with well-developed ESG governance structures and strong leadership commitment consistently demonstrate better financial and non-financial performance than those with limited ESG implementation. Similarly, the International Finance Corporation (IFC, 2024) emphasizes that ESG integration enhances institutional resilience, stakeholder trust, and regulatory compliance while improving the quality of sustainability reporting and organizational accountability. Although considerable evidence suggests that ESG integration positively influences organizational performance, the strength of this relationship depends on institutional capacity, governance quality, leadership commitment, and resource availability. In many developing countries, financial institutions continue to experience challenges related to limited technical expertise, inadequate ESG reporting systems, financial constraints, and evolving regulatory frameworks, all of which affect the realization of ESG benefits (Abor & Fiador, 2023). Therefore, examining the influence of ESG integration on organizational performance is essential for understanding how commercial banks can improve financial performance, operational efficiency, customer satisfaction, and long-term sustainability while supporting responsible banking practices in Rwanda.

Despite the growing adoption of ESG principles worldwide, significant challenges continue to affect their effective implementation. Differences in regulatory requirements, institutional capacity, reporting standards, and organizational resources often result in varying levels of ESG integration across organizations and countries. Abor and Fiador (2023) observe that although financial institutions in Africa have increasingly incorporated ESG considerations into lending decisions and risk management practices, implementation remains constrained by limited technical expertise, inadequate governance systems, and inconsistent regulatory enforcement. These challenges are particularly evident in developing economies where sustainable finance frameworks are still evolving. Therefore, examining the extent to which ESG principles are integrated into the corporate strategies of commercial banks is essential for understanding how sustainability practices contribute to organizational performance and identifying areas requiring further improvement within Rwanda's banking sector.

2.3 Theoretical Framework

The study is guided by two key theories: Stakeholder Theory and Agency Theory.

2.3.1 Stakeholder Theory

Stakeholder Theory was developed by Freeman (1984) to explain that organizations should create value not only for shareholders but also for a broad range of stakeholders, including customers, employees, investors, suppliers, governments, communities, and the natural environment. The theory emerged as an alternative to the traditional shareholder approach, which focused primarily on maximizing shareholder wealth. According to Freeman (1984), organizations achieve long-term success by balancing the interests of all stakeholders through ethical decision-making, responsible corporate governance, and sustainable business practices. The theory emphasizes that organizations operating in dynamic environments must recognize stakeholder expectations because these groups influence organizational legitimacy, competitiveness, and long-term survival.

Stakeholder Theory further argues that sustainable organizational performance depends on the ability of management to establish effective relationships with stakeholders while integrating environmental, social, and governance considerations into strategic planning and operational decision-making. Organizations that actively engage stakeholders are more likely to strengthen corporate reputation, improve customer satisfaction, enhance employee commitment, attract investors, and reduce operational and reputational risks (Donaldson & Preston, 1995). Consequently, ESG integration has become an important mechanism through which organizations demonstrate accountability, transparency, and responsible business conduct while creating value for both shareholders and society.The theory is highly relevant to the present study because commercial banks operate within a complex stakeholder environment that includes customers, regulators, shareholders, employees, investors, and local communities. Integrating ESG principles into corporate strategies enables banks to respond effectively to stakeholder expectations, strengthen governance practices, improve risk management, and enhance organizational performance. Therefore, Stakeholder Theory provides an appropriate theoretical foundation for examining how ESG integration contributes to organizational performance among commercial banks in Rwanda.

Despite its wide application, Stakeholder Theory has received criticism for providing limited guidance on how organizations should prioritize competing stakeholder interests. Critics argue that satisfying the expectations of multiple stakeholders simultaneously may create conflicts and make strategic decision-making more complex (Jensen, 2002). Nevertheless, the theory remains one of the most widely accepted frameworks for explaining sustainable corporate governance and ESG integration because it recognizes that long-term organizational success depends on balancing economic, social, and environmental responsibilities.

2.3.2 Agency Theory

Agency Theory was developed by Jensen and Meckling (1976) to explain the relationship between principals (shareholders or owners) and agents (managers) within an organization. The theory is founded on the assumption that managers may pursue personal interests that differ from the objectives of shareholders, resulting in agency conflicts and inefficiencies in organizational performance. To address these conflicts, organizations establish governance mechanisms such as

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

board oversight, internal controls, performance monitoring, auditing systems, and accountability frameworks to align managerial decisions with the interests of shareholders and other stakeholders. Since its development, Agency Theory has become one of the most influential theories in corporate governance and strategic management because it provides a framework for understanding how governance structures influence organizational performance and accountability.

Agency Theory provides a useful framework for explaining the governance dimension of Environmental, Social, and Governance (ESG) integration. The theory emphasizes that effective governance mechanisms promote transparency, accountability, ethical leadership, and responsible decision-making while reducing information asymmetry between managers and shareholders. Organizations with strong governance systems are more capable of integrating environmental and social considerations into their corporate strategies, managing organizational risks, complying with regulatory requirements, and improving long-term organizational performance (Drury, 2024). The theory is therefore consistent with the current study because it emphasizes the importance of governance structures in facilitating effective ESG implementation and enhancing organizational performance among commercial banks in Rwanda.

2.4 Conceptual framework

The conceptual framework illustrates the relationship between ESG integration, organizational performance, and the institutional and operational challenges affecting implementation

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

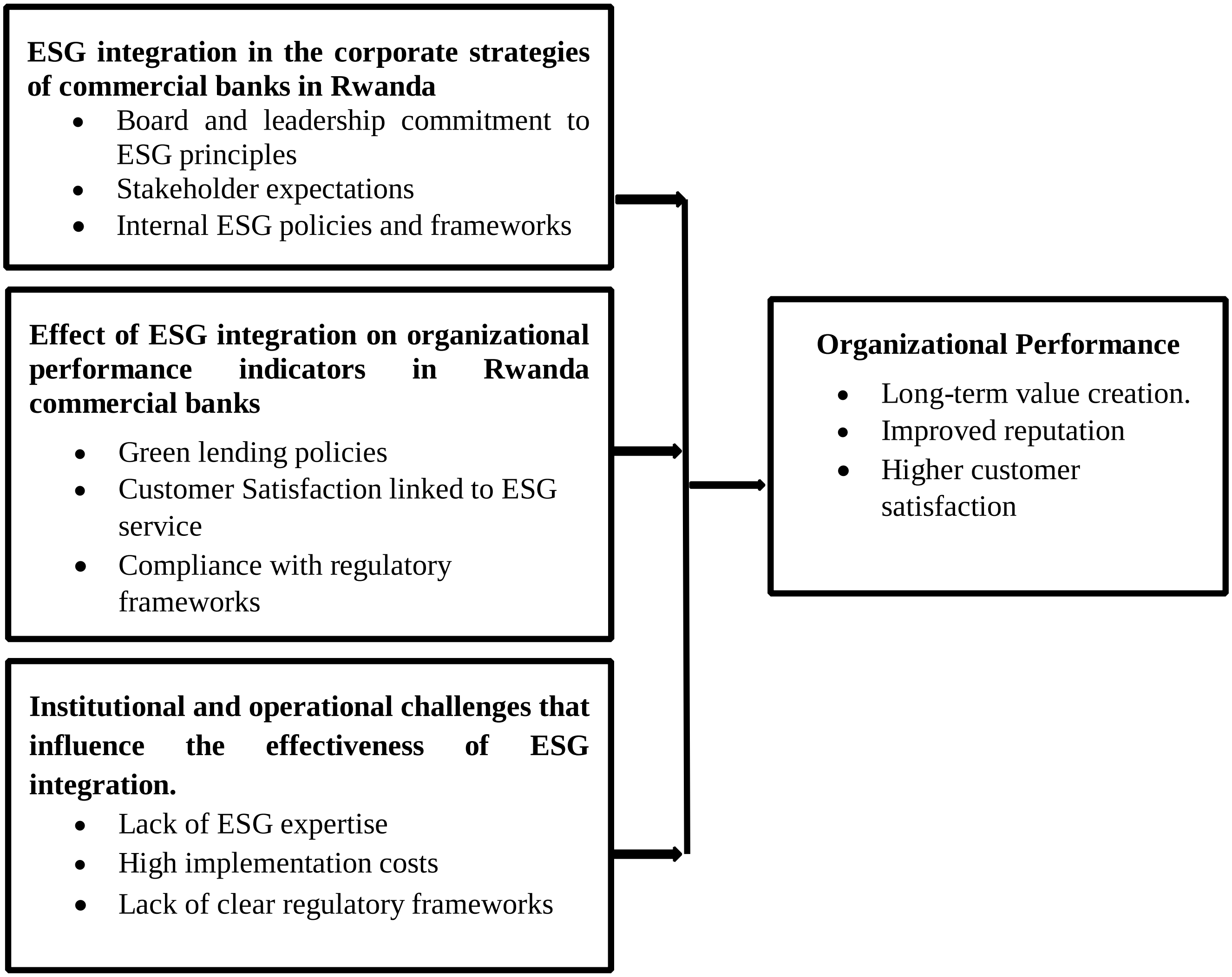

Figure 1: Conceptual Framework

3.0 Research Methodology

The study employed a mixed-methods research design, combining quantitative and qualitative approaches to examine the integration of Environmental, Social, and Governance (ESG) principles into corporate strategies and their influence on organizational performance among commercial banks in Rwanda. The target population comprised commercial bank staff, representatives of the Rwanda Bankers Association (RBA), and bank customers. A sample size of 265 respondents was selected using census, purposive, and purposive sampling techniques, with all commercial bank staff and RBA representatives included through a census approach and bank customers selected purposively. Data were collected using structured questionnaires, key informant interviews, and document review. Quantitative data were analyzed using the Statistical Package for the Social Sciences (SPSS) version 27 through descriptive statistics, Pearson correlation, and multiple linear regression analysis, while qualitative data were analyzed using thematic analysis.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

4.0 Research Findings and Discussion

The study achieved a 100% response rate, with all 200 questionnaires successfully completed and returned. The majority of respondents were male (80.5%), while 19.5% were female. Most respondents were between 31 and 40 years old (36.0%), followed by those aged 18–30 years (28.5%), 41–50 years (19.0%), 51–60 years (12.0%), and 61 years and above (4.5%). Regarding educational attainment, the largest proportion had primary education (55.5%), followed by university education (16.5%), high school education (15.5%), no formal or incomplete primary education (10.0%), and TVET education (2.5%). In terms of marital status, 86.5% were married, while 7.5% were single, 4.5% were separated, and 1.5% were widowed. These findings indicate that the respondents were predominantly mature adults with diverse educational backgrounds, positioning them well to provide reliable information on Environmental, Social, and Governance (ESG) integration and organizational performance in Rwanda's commercial banking sector.

4.1 Presentation of Descriptive Findings

This section presents the descriptive findings on the extent to which Environmental, Social, and Governance (ESG) principles are integrated into the corporate strategies of commercial banks in Rwanda. Specifically, the study examined the level of ESG integration in strategic planning, governance structures, ESG implementation practices, performance assessment, and leadership commitment. The findings provide an overview of how commercial banks have incorporated ESG principles into their strategic and operational activities. The results are presented in Table 1.

Table 1: ESG Integration in Corporate Strategies of Commercial Banks in Rwanda

Statements	Yes n (%)	No n (%)	Don't Know n (%)
ESG strategy is integrated into corporate strategy	42 (70%)	14 (23%)	4 (7%)
ESG goals are embedded in strategic planning	44 (73%)	14 (23%)	2 (3%)
Leadership is actively involved in ESG implementation	44 (73%)	14 (23%)	2 (3%)
ESG considerations influence lending decisions	41 (68%)	14 (23%)	5 (8%)
ESG reporting mechanisms are established	46 (77%)	13 (22%)	1 (2%)
Internal ESG governance structures exist	36 (60%)	17 (28%)	7 (12%)
ESG factors are incorporated into credit risk assessment	42 (70%)	15 (25%)	3 (5%)
ESG KPIs are regularly reviewed	33 (55%)	19 (32%)	8 (13%)

Table 1 presents the findings on the integration of Environmental, Social, and Governance (ESG) principles into the corporate strategies of commercial banks in Rwanda, showing that the majority of respondents confirmed ESG principles have increasingly become part of strategic management within the banking sector. Specifically, 77% indicated that ESG reporting mechanisms had been

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

established in their institutions, 73% reported that ESG goals were embedded in strategic planning with active leadership involvement, and 70% agreed that ESG strategy had been integrated into corporate strategy with ESG factors incorporated into credit risk assessment. In addition, 68% confirmed that ESG considerations influence lending decisions, 60% indicated that internal ESG governance structures had been established, and 55% reported that ESG Key Performance Indicators (KPIs) were regularly reviewed, suggesting that while ESG integration has made significant progress, monitoring and evaluation systems remain relatively weak in some banks. These findings align with the International Finance Corporation (2024), which noted that financial institutions integrating ESG principles into governance frameworks experience stronger risk management, improved accountability, and enhanced stakeholder confidence, and they support Velte (2022), who found that organizations with strong leadership commitment and structured ESG governance mechanisms demonstrate higher levels of ESG implementation. The results also agree with Abor and Fiador (2023), who reported that ESG integration increasingly influences lending decisions, governance practices, and stakeholder engagement among African financial institutions. Overall, the findings imply that commercial banks in Rwanda have made considerable progress in integrating ESG principles into their corporate strategies, though greater attention is required to strengthen ESG governance structures, institutionalize regular review of ESG KPIs, and establish dedicated ESG units across all banks to ensure effective implementation and long-term sustainability.

Table 2: Effect of ESG Integration on Organizational Performance Among Commercial Banks in Rwanda

Statements	**SD (%)**	**D (%)**	**N (%)**	**A (%)**	**SA (%)**	**Mean**	**Std. Dev.**
Improves resilience to shocks	10.0	30.0	7.0	40.0	13.0	3.17	1.07
Contributes to long-term value creation	8.0	23.0	5.0	55.0	13.0	3.38	1.03
Enhances profitability	10.0	25.0	7.0	50.0	8.0	3.17	1.04
Improves operational efficiency	8.0	23.0	5.0	50.0	13.0	3.22	1.05
Strengthens corporate reputation	10.0	18.0	0.0	53.0	18.0	3.47	0.99
Increases customer satisfaction	13.0	23.0	5.0	47.0	13.0	3.13	1.09
Improves regulatory compliance	8.0	20.0	7.0	55.0	10.0	3.23	1.03
Enhances sustainability reporting quality	7.0	17.0	5.0	57.0	15.0	3.33	1.00
Promotes green financing initiatives	10.0	27.0	3.0	47.0	13.0	3.20	1.05

Table 2 presents the findings on the effect of Environmental, Social, and Governance (ESG) integration on organizational performance among commercial banks in Rwanda, showing that respondents generally agreed ESG principles contribute positively to both financial and non-

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

financial performance indicators. The highest mean score was recorded for strengthening corporate reputation (Mean = 3.47, SD = 0.99), with 53% agreeing and 18% strongly agreeing that ESG integration enhances the reputation of commercial banks, suggesting that institutions implementing responsible environmental practices, sound governance, and social responsibility initiatives are more likely to gain public trust, strengthen customer confidence, and improve stakeholder relationships. Key informant interviews reinforced this view, noting that customers and investors increasingly prefer banks that demonstrate ethical governance, environmental stewardship, and social responsibility, and that ESG implementation has improved public confidence and institutional credibility, particularly among international investors and development partners. These findings are consistent with Velte (2022), who reported that organizations with well-established ESG frameworks achieve stronger corporate reputation, increased investor confidence, and improved competitiveness. Respondents also perceived ESG integration as an important contributor to long-term value creation (Mean = 3.38, SD = 1.03), with 68% agreeing or strongly agreeing that ESG practices enhance sustainability and future growth, while enhanced sustainability reporting quality recorded a mean score of 3.33 (SD = 1.00), indicating that ESG promotes transparency and accountability through improved disclosure.

Informants explained that banks have increasingly adopted sustainability reporting to comply with regulatory expectations, strengthen accountability, and attract environmentally conscious investors, supporting IFC (2024), which observed that ESG integration improves governance systems, reporting quality, and stakeholder confidence. Operational outcomes further showed positive effects, with respondents agreeing that ESG integration contributes to improved regulatory compliance (Mean = 3.23, SD = 1.03), operational efficiency (Mean = 3.22, SD = 1.05), and promotion of green financing initiatives (Mean = 3.20, SD = 1.05), while also enhancing organizational resilience (Mean = 3.17, SD = 1.07), profitability (Mean = 3.17, SD = 1.04), and customer satisfaction (Mean = 3.13, SD = 1.09). Although these indicators recorded moderate mean scores, they demonstrate that ESG practices positively influence organizational effectiveness by strengthening governance, improving risk management, and supporting sustainable lending decisions, with interview participants noting that ESG considerations are increasingly incorporated into credit appraisal and enterprise risk management frameworks to minimize risks and improve sustainability. These findings align with Friede, Busch, and Bassen (2015), whose meta-analysis concluded that ESG integration enhances financial performance, operational efficiency, and long-term value creation, and with Abor and Fiador (2023), who found that ESG implementation improves competitiveness, customer confidence, and sustainable banking practices in Africa. Overall, the findings demonstrate that ESG integration contributes positively to organizational performance among commercial banks in Rwanda by strengthening governance, enhancing transparency, improving operational effectiveness, promoting sustainable finance, and increasing stakeholder confidence, though the relatively moderate mean scores suggest ESG implementation remains at a developing stage, requiring greater investment in governance structures, staff capacity, sustainability reporting systems, and continuous monitoring mechanisms to maximize organizational benefits.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

Table 3: Institutional and Operational Challenges Affecting ESG Integration

Factor	Major Enabler n (%)	Minor Enabler n (%)	Neutral n (%)
Leadership Commitment	43 (21.5)	93 (46.5)	64 (32.0)
Staff Capacity and Awareness	78 (39.0)	122 (61.0)	0 (0.0)
Regulatory Support	98 (49.0)	73 (36.5)	29 (14.5)
Data Quality	7 (3.5)	193 (96.5)	0 (0.0)
Budget Resources	21 (10.5)	115 (57.5)	64 (32.0)

Table 3 presents the findings on the institutional and operational challenges affecting Environmental, Social, and Governance (ESG) integration among commercial banks in Rwanda. The study examined the extent to which leadership commitment, staff capacity and awareness, regulatory support, data quality, and budget resources influence the successful implementation of ESG principles. The findings revealed that 49.0% of respondents identified regulatory support as a major enabler of ESG integration, while 36.5% considered it a minor enabler and 14.5% remained neutral. Respondents emphasized that supportive government policies, regulatory guidelines, and supervisory frameworks established by financial regulators have significantly encouraged ESG adoption. Interviews confirmed that the National Bank of Rwanda and the Rwanda Bankers Association have promoted sustainable finance by issuing ESG-related guidelines, encouraging responsible lending, and strengthening risk management. These findings are consistent with OECD (2023), which reported that strong regulatory frameworks and harmonized ESG reporting standards promote transparency, accountability, and effective implementation.

Staff capacity and awareness also emerged as important factors, with 39.0% of respondents regarding them as a major enabler and 61.0% as a minor enabler. Although banks recognize the importance of employee knowledge and technical competence, continuous training and capacity building remain necessary. Interview participants acknowledged that limited expertise in sustainability reporting, environmental risk assessment, and ESG performance measurement continues to hinder effective implementation. These findings support IFC (2024), which emphasizes that ongoing staff training and institutional capacity development are essential for strengthening ESG practices. Leadership commitment was considered a major enabler by 21.5% of respondents, a minor enabler by 46.5%, while 32.0% remained neutral. This suggests that although senior management supports ESG initiatives, commitment levels vary across institutions. Interviews highlighted that executive leadership plays a critical role in allocating resources, formulating ESG policies, and promoting a culture of responsibility and ethical governance. Without strong leadership commitment, ESG initiatives often receive limited support and inadequate investment.

Data quality was identified as a major enabler by only 3.5% of respondents, while 96.5% considered it a minor enabler. This indicates that inadequate ESG data collection systems, poor information management, and limited reporting infrastructure constrain effective implementation. Respondents explained that the absence of standardized databases and integrated reporting systems limits accurate monitoring, making evidence-based decisions difficult. Deloitte (2023) similarly identified poor ESG data availability and weak reporting systems as major barriers worldwide. Budget resources were regarded as a major enabler by 10.5% of respondents, a minor enabler by 57.5%, and neutral by 32.0%. Limited financial resources often delay investments in training, reporting systems, risk assessment tools, and green financing initiatives. Interviews revealed that although banks recognize ESG's strategic importance, competing priorities frequently limit funding for sustainability programs. These findings support Deloitte (2023), which reported that high implementation costs remain a significant operational challenge globally. Overall, the findings imply that regulatory support, staff capacity and awareness, leadership commitment, data quality, and budget resources are critical institutional and operational factors influencing ESG integration among commercial banks in Rwanda. While regulatory support emerged as the strongest enabler, strengthening staff capacity, enhancing leadership commitment, improving data management systems, and increasing financial investment will be essential to ensure effective ESG implementation and improved organizational performance.

4.2 Correlation Analysis Between ESG Integration and Organizational Performance

The study sought to determine whether there is a relationship between Environmental, Social, and Governance (ESG) integration and organizational performance among commercial banks in Rwanda. Correlation analysis was conducted to establish the strength and direction of the relationship between ESG integration indicators and organizational performance indicators. The findings are presented in Table 4.

Table 4: Pearson Correlation between ESG Integration and Organizational Performance

Variables	ESG Integration	Organizational Performance
ESG Integration	1	
Organizational Performance	r = 0.682**	1
Sig. (2-tailed)	0.000	

Table 4 presents the results of the Pearson correlation analysis conducted to examine the relationship between Environmental, Social, and Governance (ESG) integration and organizational performance among commercial banks in Rwanda. The findings revealed a strong positive and statistically significant relationship between ESG integration and organizational performance ($r = 0.682$, $p = 0.000$). This indicates that an increase in ESG integration is associated with a corresponding improvement in organizational performance. The positive correlation suggests that commercial banks that effectively integrate ESG principles into their corporate strategies are more likely to achieve enhanced profitability, operational efficiency, customer satisfaction, corporate reputation, regulatory compliance, sustainability reporting quality, resilience, and green financing initiatives. Since the probability value is less than the 0.01

significance level, the study confirms that the relationship between ESG integration and organizational performance is statistically significant and not attributable to random variation.

The findings were further supported by the key informant interviews, where respondents explained that ESG integration has strengthened governance systems, improved environmental and social risk management, enhanced stakeholder confidence, and promoted sustainable business practices within commercial banks. Interview participants further noted that incorporating ESG considerations into strategic planning and lending decisions has improved institutional resilience and increased competitiveness in the banking sector. These findings are consistent with Friede, Busch, and Bassen (2015), who, through a meta-analysis of more than 2,000 empirical studies, concluded that organizations with higher ESG performance generally achieve superior financial and non-financial performance. Similarly, Velte (2022) found that effective ESG integration positively influences profitability, corporate reputation, and long-term competitiveness, while the International Finance Corporation (2024) reported that financial institutions implementing ESG frameworks experience improved governance, stronger stakeholder confidence, and enhanced organizational performance. Therefore, the study concludes that strengthening ESG integration represents an important strategic approach for improving organizational performance among commercial banks in Rwanda.

4.3 Regression Analysis of ESG Integration and Organizational Performance

Regression analysis was conducted to determine the extent to which ESG integration predicts organizational performance among commercial banks in Rwanda. The analysis aimed to establish whether ESG integration significantly influences organizational performance.

Table 1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	0.682	0.465	0.456	0.734

The findings indicate that ESG integration explains 46.5% of the variation in organizational performance ($R^2 = 0.465$). This suggests that ESG practices make a substantial contribution to organizational performance, while the remaining 53.5% may be explained by other factors not included in the model.

Table 2.ANOVA Results

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	42.516	1	42.516	58.743	0.000
Residual	48.184	198	0.243		
Total	90.700	199			

The ANOVA results indicate that the regression model is statistically significant ($F = 58.743$, $p < 0.001$). This demonstrates that ESG integration significantly predicts organizational performance among commercial banks in Rwanda.

https://doi.org/10.53819/81018102t3180

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

Table 3. Regression Coefficients

Variable	B	Std. Error	Beta	t	Sig.
Constant	1.254	0.214		5.860	0.000
ESG Integration	0.638	0.083	0.682	7.664	0.000

The regression results indicate that ESG integration has a positive and statistically significant effect on organizational performance ($\beta = 0.682$, $p < 0.001$). The positive coefficient suggests that an increase in ESG integration is associated with an increase in organizational performance. Therefore, the study concludes that ESG integration is a significant predictor of organizational performance among commercial banks in Rwanda.

5.0 Conclusion

Regarding the first objective, which examined the extent of Environmental, Social, and Governance (ESG) integration in the corporate strategies of commercial banks in Rwanda, the study concludes that ESG principles have increasingly been incorporated into strategic planning, governance structures, lending decisions, and stakeholder engagement practices. The findings indicate that commercial banks have made considerable progress in integrating ESG into their operations, although the level of implementation varies across institutions. Overall, the study concludes that ESG integration has become an important component of corporate strategy and contributes to sustainable banking practices. With respect to the second objective, which examined the effect of ESG integration on organizational performance, the study concludes that ESG integration positively influences organizational performance among commercial banks in Rwanda. Banks that effectively integrate ESG principles are more likely to achieve improved profitability, operational efficiency, customer satisfaction, corporate reputation, regulatory compliance, sustainability reporting quality, resilience, and long-term value creation. Furthermore, the correlation analysis established a strong positive and statistically significant relationship between ESG integration and organizational performance ($r = 0.682$, $p < 0.001$), demonstrating that increased ESG integration contributes significantly to improved organizational performance. Finally, regarding the third objective, which examined the institutional and operational challenges affecting ESG integration, the study concludes that regulatory support, staff capacity and awareness, leadership commitment, data quality, and budget resources are critical factors influencing the successful implementation of ESG principles among commercial banks in Rwanda. While regulatory support has facilitated ESG adoption, challenges related to limited technical expertise, inadequate ESG data management systems, and financial resource constraints continue to hinder effective implementation. Therefore, strengthening institutional capacity, enhancing leadership commitment, improving ESG reporting systems, and increasing investment in staff training and sustainability initiatives are essential for promoting effective ESG integration and achieving long-term organizational performance within Rwanda's banking sector.

https://doi.org/10.53819/81018102t3180

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 10||Issue 3 ||Page 101-119||July|2026|
Email: info@stratfordjournals.org ISSN: 2616-8472

6.0 Recommendations

i. Commercial banks should strengthen ESG integration by creating dedicated units, embedding ESG objectives in corporate strategies, and regularly monitoring Key Performance Indicators (KPIs).
ii. Continuous staff training, capacity building, and improved ESG data management systems are essential to enhance transparency and accountability.
iii. The National Bank of Rwanda (BNR) and the Rwanda Bankers Association (RBA) should reinforce regulatory frameworks with standardized reporting guidelines, monitoring mechanisms, and technical support.
iv. Banks are encouraged to expand sustainable financing initiatives, including green products, climate-resilient investments, and responsible lending practices.

REFERENCES

Abor, J., & Fiador, V. (2023). Sustainable finance practices and ESG integration among African financial institutions. *Journal of Sustainable Finance and Investment*, 13(2), 145–162.

African Development Bank. (2024). *JP Morgan backs Rwanda's EUR 200 million sustainable loan for infrastructure development*. African Development Bank.

Awuor, J. (2023). *Effect of environmental, social, and governance adoption and bank characteristics on the financial performance of commercial banks in Uganda* (Doctoral dissertation). Strathmore University.

Bătae, O. M. (2020). Environmental, social, and governance performance and financial performance: Evidence from banking institutions. *Sustainability*, 12(5), 1–18.

Bihogo, J., et al. (2024). ESG adoption and financial performance in Rwandan banks: A risk management perspective. *Kigali Economic Review*, 8(1), 45–62.

Climate Bonds Initiative. (2022). *2021 sustainable debt market summary*. Climate Bonds Initiative.

Deloitte. (2023). *ESG implementation and sustainability reporting challenges*. Deloitte Insights.

Development Bank of Rwanda. (2023). *BRD launches sustainability-linked bond to finance green projects*. Development Bank of Rwanda.

Drury, A. (2024, October 23). What is the role of agency theory in corporate governance? *Investopedia*. https://www.investopedia.com

Eccles, R. G., Krzus, M. P., & Ribot, S. (2020). *The integrated reporting movement: Meaning, momentum, motives, and materiality*. John Wiley & Sons.

European Banking Authority. (2020). *Report on management and supervision of ESG risks for credit institutions and investment firms*. European Banking Authority.

Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman Publishing.

Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: Aggregated evidence from more than 2,000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210–233.

https://doi.org/10.53819/81018102t3180

Harvard Business Review. (2021). *The ESG imperative in business strategy*. Harvard Business Review.

IFC. (2024). *Sustainable banking and ESG integration in financial institutions*. International Finance Corporation.

International Finance Corporation & Rwanda Bankers Association. (2024). *ESG guidelines for Rwanda's banking sector*. IFC & RBA.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.

Kalfaoglou, F. (2021). ESG integration and corporate financial performance. *Journal of Sustainable Finance*, 9(2), 112–128.

Khan, M., Serafeim, G., & Yoon, A. (2023). Corporate sustainability and organizational performance. *Accounting Review*, 98(3), 125–148.

Kotsantonis, S., & Serafeim, G. (2019). Four things no one will tell you about ESG data. *Journal of Applied Corporate Finance*, 31(2), 50–58.

McGahan, A. (2021). Stakeholder value creation and sustainable business performance. *Strategic Management Journal*, 42(8), 1452–1468.

McKinsey & Company. (2022). *Global banking annual review 2022*. McKinsey & Company.

MININFRA. (2024). *Green innovation fund implementation report*. Ministry of Infrastructure, Rwanda.

Mugabo, P., et al. (2023). Sustainable finance in Rwanda: Challenges and opportunities for ESG integration. *Journal of African Business and Finance*, 7(3), 89–105.

Mugenda, O. M., & Mugenda, A. G. (2019). *Research methods: Quantitative and qualitative approaches*. ACTS Press.

Mwanu, D. (2021). *Influence of banking practices on development green finance in Kenya* (Doctoral dissertation). KCA University.

National Bank of Rwanda. (2023). *Guidelines on climate-related and environmental financial risks management*. National Bank of Rwanda.

Nielsen. (2015). *The sustainability imperative: New insights on consumer expectations*. Nielsen Holdings.

Nishitani, K., et al. (2021). Are corporate environmental activities to meet sustainable development goals simply greenwashing? *Journal of Environmental Management*, 296, 113–128.

Organisation for Economic Co-operation and Development. (2023). *ESG reporting standards and sustainability governance*. OECD Publishing.

PwC. (2021). *Sustainable finance disclosure regulation (SFDR): Are you ready?* PwC.

Reeves, H. L. (2024). Organizational performance: What it is and how to improve it. *BambooHR*.

Rwanda Bankers Association. (2024). *Annual banking sustainability report*. Rwanda Bankers Association.

Rwanda Finance Limited. (2022). *Rwanda green finance roadmap 2022–2030*. Rwanda Finance Limited.

Sekol, T. (2024). ESG integration and sustainable business strategy. *Journal of Sustainability Studies*, 15(2), 55–73.

Shastry, V. (2023). *The notorious ESG*. Emerald Publishing.

Velte, P. (2022). ESG performance and financial performance: A review of empirical evidence. *Management Review Quarterly*, 72(3), 735–757.

World Bank. (2021). *Finance for sustainable development in Sub-Saharan Africa*. World Bank.

World Bank. (2023). *ESG frameworks in emerging markets: Lessons for East Africa*. World Bank Group.

World Economic Forum & International Energy Agency. (2023). *Financing the energy transition and sustainable development*. WEF & IEA.

Xulu, N. (2022). ESG implementation in South African banking institutions. *South African Journal of Business Management*, 53(1), 1–12.

Ziolo, M. (2020). *Finance and sustainable development* (1st ed.). Routledge.