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Advancing Sustainable Finance in Nigeria: A Policy-Oriented Analysis of Challenges and Opportunities

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Abstract

This study examines the advancement of sustainable finance in Nigeria, a vital tool for achieving long-term economic growth, environmental protection, and social development. Through a policy-oriented analysis, the study identifies major challenges hindering its progress, including weak regulatory frameworks, restricted institutional capacity, insufficient public awareness, and inadequate access to green financial instruments. Nigeria's economic reliance on fossil fuels, combined with fiscal constraints and environmental degradation, underlines the urgent need for sustainable finance to aid economic diversification, energy transition, and climate resilience. This paper further emphasizes the growing global interest in Environmental, Social, and Governance (ESG) investments and contends that aligning Nigeria's financial system with sustainability principles can enhance investor confidence and promote inclusive growth. The aim is to evaluate the policy, institutional, and market factors shaping sustainable finance in Nigeria and to propose actionable recommendations for enhancing ESG integration. The findings show significant gaps in regulation, market infrastructure, and data availability, which restrain the effectiveness of sustainable finance strategies. To address these gaps, the study recommends strengthening ESG-related regulations, promoting the development of green financial instruments, and investing in capacity-building initiatives for financial institutions and policymakers. These measures are important to fully imbed sustainability in Nigeria's financial architecture and to ensure resilient, inclusive, and environmentally sound economic development.

Keywords: *Sustainable finance, ESG, Green Investment, Financial Policy, Economic Growth*

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Background to the Study

Presently, finance is fundamental in tackling persistent challenges, from global warming, decline in species diversity, land desertification, natural resource depletion, waste, and pollution to poverty and inequality. These challenges constitute a sequence of crises – economic, environmental, and social – a lot of them aggravated by or rooted in investment decisions and the financial intermediation processes. Every single income spent (or not spent), every tool (or not tool), or investment allocation can, and idyllically ought to be made in regard of the influences that money will have. Certainly, investment can be a transformative force when it is utilized productively. As a result, sustainable finance is about urging, assisting, and empowering finance actors (individuals and institutions) to invest in ways that are befitting, justified and responsible through their operational approaches, strategies, and activities (Caldecott, et al. 2022). As much as Nigeria shares a comparable development pattern with other nations, like the opportunities and challenges encountered in financing their sustainable development, the level of our environmental hazards and economic snags demands that solutions must be realistic, pragmatic and not just based on debates.

Since pre-independence times, as an agrarian economy, Nigeria has faced the challenge of poverty reduction (Omotayo, et al. 2019). Although the colonial trend of the 18th century brought to the fore productivity, trade, and increased wealth, its oppressive and exploitive method left little hope for the larger populace engaged in subsistence activities. Over 200 years later, the contention adopted is simply the same: some form of wealth transfer and increased productivity are needed to elevate the large population living below the absolute poverty line. The aforesaid argument is further compounded currently by the problems of climate change, increasing inequality, national debts, and trade restrictions, all drawing the attention of world leaders at different conferences as problems that require urgent solutions (Guivarch, et al. 2021). In ecopolitical and economic phraseology, the discussion over the challenges of today and the solutions needed to overcome them in the future is pictured through the lens of sustainable development, environmental governance, and social security.

As a consideration of global concerns to lessen the impacts of climate fluctuation and to also alleviate poverty, concerted efforts are being spearheaded at various levels to inculcate sustainability in commercial activities. Particularly in both established and emerging world capitals of commerce and political activities, discussions bordering on commercial endeavours to create social and environmental harmony are being fiercely debated (Birkmann, et al. 2022). Consequently, the West, as a point of reference, has already laid out strategies to change prevailing business policies, procedures and to assist newcomers with a well-defined aim of attracting much-needed integrative investment. Regretfully, however, the developing nations, Nigeria included, easily influenced by the West for economic solutions, is yet to be prolific in their antecedents in incorporating sustainability in commercial activities. Implementations of economic and business policies that are entrenched not only in attracting commercial activities but are also environmentally and socially buttressed are not infrequent, but these efforts are still marginal, with no significant contribution to the gross domestic product. This point is succinctly put thus: the impact of these policies is elitist, lacking roots in the larger populace – poor and marginalized – who require immediate solutions to their myriads of economic challenges.

This paper aims to shed light on the key challenges faced by sustainable financial provision in Nigeria and to identify opportunities where improvements can propel capital towards sustainable finance initiatives that function for low-income clients and low-resource micro enterprises. The study therefore makes available the following measurable outcomes: to provide recommended actions to Nigerian policymakers and regulatory institutions on how to handle challenges and improve prevailing opportunities so as to accelerate a ten-fold increase in sustainable finance activity in Nigeria to the level of US$8 billion by 2030.; to improve awareness, comprehension and decision-making mechanisms for sustainable finance activities within the Nigerian financial system and to further the realization of the Nigerian Vision 2020 in general, and the Nigerian microfinance policy framework, which is underdeveloped, in particular; to create robust nationwide discussions about sustainable finance based on modern-day empirical and theoretical aspects of sustainable finance practice that are grounded in current discussions in the global academic literature and policymaking frameworks, and which demonstrate a sophisticated understanding of the multifaceted dynamics of sustainable development that are evolving in the Nigerian national and regional context.

This research is timely and necessary because sustainable finance is a relatively new discipline, with its related analytical tools and policy mechanisms presently being developed. Although considerable lip service is given to the idea of sustainable economic development and sustainability as a national perspective regeneration, the special challenge this study seeks to address is the fact that financial institutions and economic actors on the frontline do not really appreciate the environmental stakes or know how to go about the transformation to sustainable economic activities. This policy-focused paper will explore the unique situation faced by Nigeria in terms of sustainable finance and provide a pathway for addressing some identified gaps. The urgency in engaging at these levels of financial systems is highlighted. We put emphasis on the interlinkages between sustainable finance and broader sustainable development goals. We believe that constructive stakeholder inputs will shape a sustainable financial empowered Nigeria that can drive the rest of the countries in Africa and beyond in the direction of sustainability. This paper is divided into nine parts. Part one, introduces sustainable finance. Part two defines its scope, key principles, and concepts. Part three examines the Nigerian financial landscape. Part four discusses the challenges in sustainable finance in Nigeria. Part five proffer possible solutions to the challenges of sustainable finance in Nigeria. Part six explores sustainable finance opportunities in Nigeria. Part seven analyzes the potential impact of sustainable finance on Nigeria's economic development. Part eight concludes the study and looked future directions in sustainable finance, while the last part forwards some proposed policy recommendations for unlocking some of the identified opportunities.

Definition and Scope of Sustainable Finance

This paper adopts a comprehensive definition of sustainable finance as finance that integrates and factors environmental, social, and governance (ESG) issues into business strategy, decision making, and risk profiles across three principles: the 'triple bottom line' framework, international comparability, and best practice internally in financial institutions.

Conceptualized in this manner, sustainable finance involves greater accountability in traditional finance (Harvard Extension School, 2021). Along with serving economic goals, investments and related financial instruments are also made in keeping with extra-economic considerations. These components are deepened into three dimensions, which include transactions across timeframes (integrated considerations), hazard control support, legal due diligence tools, and the extension of dimensions of wealth (implications for the holder of the physical capital). The scope of this process is all-encompassing. It involves governments/nations, financial institutions engaged in managing public resources together with those serving capital accumulation, legal frameworks for international competition among host nations to foster foreign direct investment and gain advantage arising from being a service center for international competitiveness (Yakovlev & Nikulina, 2019).

Sustainable finance is an approach to financial services that considers environmental, social, and governance (ESG) factors in investment decisions that can produce short-term or long-term positive impacts (Mehdiyev, 2024). Financial institutions and advisors, from global to local levels, are increasingly adopting this broad definition, though formal wording may differ from region to region (Strandberg, 2005). The emphasis of sustainable finance is largely on investment decisions. However, certain finance matters that pertain to sustainable economic growth are also categorized under these investment activities. Some examples of these economic activities include offering loans to businesses and extending credit to purchase green and social bonds for low-carbon projects. Moreover, an implication of sustainable finance does not attach to any specific asset classification or label. Sustainable finance can pertain to all asset classes such as debt, equity, public, and private (UNCTAD, 2023).

Across different contexts, one major benefit of adopting sustainable finance principles is the reduced risk of a significant, permanent drop in the value of any financial services provided. Particularly, sustainable business practices, where corporate behavior is grounded in ethical values and respects people and the wider society, have become a growing global trend. For the investor who seeks long-term high revenues, prosocial behavior leads to increased shareholder value, lower operating costs, and better human resources (Riedl & Smeets 2017). As a result, investors whose focus is generating a financial return develop responsible investment strategies that take corporate responsibility into account. By emphasizing companies with higher long-run performance that correspond to the investor's values, responsible investment strategies may help better align the investment process with the investor's financial goals. In effect, employing responsible investment strategies in a financial portfolio supports long-term value creation through financing responsible business activities (Kurznack, et al. 2021).

The definition of sustainable finance implies that this concept intersects strongly with traditional finance (Soppe, 2004). The related guidelines, principles and strategies that have emerged affirm the global trend of seeking means in which responsible investment and conscientious shareholder finance could be utilized to shape corporate environmental demeanor. There are fundamentally two implications in this approach to sustainable finance. Firstly, this approach concentrates on the management of companies, which might limit the interest of institutional investors to a small portion of a listed company's security. Secondly, this approach implies a passive role for the institutional shareholder whose involvement usually ends at a reactive level where the misconduct of a client calls for negative engagements and eventual disinvestment. The implication is that inclusive finance, which involves the financial inclusion of low-income earners, is an integral part of, and not separate from, sustainable finance. Thus, the promotion of sustainable finance goes beyond environmental finance or social investment. It includes ethical banking, socially responsible investment, stewardship banking or finance, inclusive finance, corporate social and environmental disclosure (Martiny, et al. 2024).

Key Principles and Concepts of Sustainable Finance

Transparency, accountability, and stakeholder engagement are key to enabling and building the trust necessary for moving towards sustainability in our financial systems (Schoenmaker & Schramade, 2019). A growing trend is the support for the alignment of business strategies and investment philosophies with sustainable development goals, which presents an excellent framework for discussion and understanding of the interdependent pillars of progress. Furthermore, financial analysis takes place across large timescales, which gives finance a conscience – and investors and portfolio managers increasingly see their decisions through that lens. Corporate performance and value are no longer just about bottom-line earnings; it is about what those earnings mean in systemic terms (Hubbard, 2009). Accessing the concept of sustainability in the context of Nigerian finance refines what sustainability means in the context of finance. Sustainability in the context of finance assumes that businesses will be more successful over the long term if they manage their economic, social, and environmental impacts, thereby creating value (Pham, et al. 2021).

Sustainable finance principles aim at guiding asset owner and asset manager integration of economics, social, and governance factors into investment processes and pursue the new business consensus that companies and investors can generate long-term, risk-adjusted financial returns by addressing the infrastructure needs and business opportunities that meet the many demand-side calls for poverty elimination, quality education, affordable health services, clean energy, green construction, efficient transportation, climate adaptation, and intergenerational equity (Schoenmaker & Schramade, 2019). It also recognizes that coherent financial performance and lasting social acceptability require businesses to step up and create productive and resilient jobs alongside generating wealth and consuming resources. Corporate leadership on ESG can reduce investment risk, drive investment excellence, and deepen relationships with shareholders and other stakeholders, who seek channels for their financial and fiduciary responsibilities for sustainable outcomes in a deeply uncertain world of global social instability, erratic governance, and accelerating ecological damage and inflationary environmental costs. The concept of sustainability was determined by finance, and it is anchored around the recognition of how financial risk is influenced by global environmental, social, and governance risks (Mensah, et al. 2019). In this respect, a comprehension of sustainability in the context of finance involves the implementation of mid to long-term strategies with the capacity to influence investment risks, performance, and return. Other principles at the core of sustainability in Nigerian finance include ethical responsibility that attributes investment decisions to social, environmental, and governance factors. organizational framework issues associated with trust and ensuring the balance between leadership, staff, and clients.

The Nigerian Financial Landscape

The Nigerian financial landscape is typified by a mixed market with formal and informal components, as well as modernized and traditional institutions (Oke, 1989). Structurally, the landscape is characterized by the money market, the debt and equity capital markets, the foreign exchange market, and the derivatives market. Major institutions include the central bank, commercial banks, investment banks, finance houses, savings banks, microfinance banks, insurance and reinsurance companies, reinsurance brokers, insurance brokers, cooperative societies, Islamic banking windows, pension fund administrators, deposit protection corporations, and regulatory authorities. The financial landscape operates buoyed by the need to promote sound macroeconomic conditions; enhance financial deepening, inclusion, and knowledge; and facilitate improved savings and investment in support of economic growth and development (Eromosele, 2023). Nigeria's launch of the Sustainable Development Goals and signing of the Paris Agreement not only highlights the country's entry into a global pursuit of environmental sustainability but serves as a strong statement indicating a key shift in the nation's development focus towards inclusive growth, accountable governance, and environmental sustainability.

Nigeria's future lies in the ability to employ innovative mechanisms for rapid transformation in agriculture, alternative and renewable energy, efficient utility provision, and poverty alleviation. The relative lack of sustainable practices and techniques among firms indicates a low level of environmental and social responsibility (Okechukwu & Ugwu 2023). Therefore, there is a need to address the bottlenecks and foster the enabling environment for sustainable business practices such as sustainable finance. Nigeria's efforts to achieve all or some of these aims to meet the critical test of sustainability, underpinning the entire SDG objectives. Unfortunately, Nigeria's financial system has not been active in spearheading credit allocations and directing investments towards projects that are critical to these socio-economic developmental pillars. Consequently, investments in clean technology or renewable energy are neither directed nor widespread. The absence of a key guiding strategy on sustainable finance inhibits the financial sector's capacity to effectively contribute to Nigeria's SDG objectives. Therefore, it becomes pertinent to adopt an intentional approach that can enable Nigerian stakeholders to address any challenges within the 'business as usual' framework of sustainable finance.

Overview of the Financial Sector in Nigeria

The Nigerian financial sector is complex and critical to Nigeria's economic development (Atoyebi, 2024). Financial institutions in Nigeria range from commercial banks, which handle the larger and more sophisticated transactions of the economy, to microfinance institutions, which provide finance to the unbanked, rural communities, and small and medium enterprises. Other important financial institutions in Nigeria include the capital markets, which are crucial for long-term finance, insurance companies, and pension funds that are crucial as guarantors of financial liabilities and risk. Post-independence, after 1960, the Nigerian financial system was predominantly owned, managed, and funded by foreign institutions (Oke, 1989). However, following the indigenization policy of 1972, systemic change occurred, setting the pace for the development of the Nigerian financial system that we now see today. This has influenced the dynamics and progress in the Nigerian financial landscape.

At the apex of it all, the Central Bank of Nigeria is the primary financial and banking sector regulator, while the Securities and Exchange Commission has the responsibility for the regulation and development of the capital market. Other sub-sector regulators include the National Insurance Commission, the Nigerian Deposit Insurance Corporation, as well as the National Pensions Commission, which regulates pensions. Policies can either promote or hinder the growth of sustainable finance. Such policies can be explicit, as in the case of countries with specific guidelines that support sustainability as a core principle within the operational systems of financial institutions. Financial regulation is based on the idea that there will be many interdependencies among financial institutions, which logically leads to the possibility of negative spillovers becoming significant (Awrey & Judge, 2020). In other words, the stability of one institution will depend in part on the stability of the other. Therefore, growth in one institution is an indication of a thriving financial sector.

Current State of Sustainable Finance in Nigeria

Nigeria has recorded remarkable progress toward sustainability over the years (PwC, 2021). At the policy level, numerous initiatives and investments targeted at addressing environmental challenges, promoting social inclusion, and economic growth have been pursued as part of plans to accelerate Nigeria's transition to a low carbon development pathway. The country has numerous multi-sectoral frameworks, agendas, policies, and initiatives that are geared toward the promotion of sustainability. The asset management industry is also stepping up its efforts to promote responsible investment. A mutual fund that enables individuals and institutions to support climate change allows investors to neutralize their carbon footprint. More recently, a multi-tier green bond program has been unveiled to address a range of issues such as renewable and alternative energy, clean transportation, sustainable land use, climate resilience, and energy efficiency (Adeojo, 2022). It is at present running to facilitate the creation of investible products based on these themes.

Despite the development mentioned above, there are some gaps in sustainable finance in Nigeria. First, there is mixed awareness about the environment and social issues by banks and non-bank financial institutions. Problems arise from a lack of skills and understanding of the subject as well as a lack of awareness or a lack of interest. There are no strict rules to dictate who should carry out such directions, which is preventing various banking institutions from using sustainable finance as a business transaction. The complexities of the business transaction itself have compounded the problem. Also, it is important to classify the sustainability finance products in order to understand both the business solutions available and their utilization in the various sectors. To attract viable transactions in the real sector, the development financial institutions have stepped up their interventions in such businesses with capital and machinery (Access Bank, 2018). Oil theft and pipeline vandalization have been reported to be on the rise in the country. With the agrarian nature of the country and its large population of youth and women resources, the disruption in oil production capacity has informed a pressing need for sustainable finance.

There is a necessity for a policy framework to reposition governance of the industry in Nigeria, to expand the capacity of financial institutional stakeholders, and to ensure quality standards in green banking, such as several existing codes of practice and guiding principles of ethics (Citigroup, 2024). Regulatory guidelines for investment in the Nigerian energy sector have also been made. Efforts need to be made to get as many financial institutions as possible to be positioned to participate at all levels of the sustainable finance policy, direct implementation, and fund mobilization. At the moment, collaboration among these stakeholders and the government is weak. Some stakeholders tend to fund projects and create operational platforms based entirely on their assessments, without the institutional accreditor considering the direction of the investment fund. There is a need for an incentive to ensure that funds are routed in the preferred directions. Furthermore, these agencies themselves play almost similar roles. At the planning stage, for example, several international nongovernmental organizations carry out development work solely for policy direction. The training of these agencies can be harmonized, and this will make the process less complicated and easier for most stakeholders. In most parts, awareness needs to be created, and it is paramount in making stakeholders understand the business solutions and products in place.

Challenges in Sustainable Finance in Nigeria

Significant challenges impede the practice of sustainable finance in Nigeria (Shobanjo, 2022). Regulatory and policy barriers perpetuate an uncertain investment climate. It is difficult to harmonize coherent policies that facilitate sustainable investments since regulatory bodies are largely transaction-oriented. Where regulations for sustainable finance exist, it is difficult to enforce due to weaker institutions and a lack of coordinated efforts. Market conditions provide further hurdles for sustainable finance. Areas with higher environmental risks are often neglected, and underserved clusters have limited access to bank credits. Additionally, the reluctance of investors to transition to sustainable finance practices impedes organic growth for ESG and SDG investment portfolios (Grant Thorton, 2024). Socioeconomic factors present additional challenges. Despite stakeholders fundamentally desiring a better world, achieving sustainable investments is frustrating for many due to a predominantly transactional relationship between corporates and consumers. The levels of low socioeconomic status of a community also hinder collaboration due to prioritization of subsistence over sustainability. Conclusively, understanding sustainable finance is limited due to factors including a lack of awareness of opportunities, issues, and early-stage technologies; governmental policies prioritizing the immediate need over the long-term gain; and the increasing need for development amidst climate change, thereby increasing inequalities (UNEP Inquiry 2018).

To unlock opportunities for sustainable finance in Nigeria, important barriers to finance must be addressed. Despite some empirical evidence, coherent reduction of regulations to improve harmonized policies, enforcement, and impact remains unclear. Policymaker solutions focus primarily on harmonizing policies and impact with particular emphasis on educating and increasing stakeholder awareness in order to positively influence socioeconomic factors. Socioeconomic challenges could be addressed by providing extensive sustainable financing education and mentorship to reduce stakeholder challenges, which would also simultaneously address the risk and understanding challenges mentioned (Obute, 2021).

Regulatory and Policy Challenges

There is currently no comprehensive regulation and policy framework for sustainable financing in Nigeria (Olowo, 2024). Yet the few regulations and policies in place contain various inconsistencies and gaps that may hinder effective governance of sustainable finance initiatives in the country. This uncertainty in the regulatory outlook will naturally act as a barrier to investors and financial institutions who may be considering entering the market for sustainable finance (Shobanjo, 2022). Compliance is also weak in various aspects, and there is evidence everywhere that investment decision-making on sustainable projects, especially at the management levels, is yet to fully factor in the sustainable reporting index, environmental, social, and governance disclosure of companies in its financial appraisal models. The need for strong national governance systems and legislative measures to articulate the role of businesses in the context of incremental changes is a build-up of interlocking pieces. In the absence of clear regulatory guidance on what actions businesses must take, the motivations for stakeholder trust and credibility across sustainable development will remain shaky (Udoma & Osagie, 2024). The legislative landscape must thus be proactively engaged with, especially in the context of the global debates and policy formulations for sustainability. Various governmental and semi-governmental bodies might potentially pose a challenge to good governance in this exchange. Regulatory bodies, especially those being delegated statutory powers, must be independent and free from any influence, and promote good governance and market integrity generally. The disjointed actions of the relevant stakeholders have posed challenges to Nigeria's quest to advance the frontiers of sustainable finance (UNEP Inquiry, 2018). It is against this framework that we highlight various competence, regulatory, and governance gaps that we hope will provide insight into areas that need to be substantially engaged to promote sound, sustainable policy options that can enable Nigeria's frontier markets.

Market and Investment Challenges

Market and investment challenges will be discussed under general market conditions and process risk. General Market Conditions: There are some challenges, particularly from the perspective of investments, which are completely external to the institutional infrastructure. Investors, whether individuals or institutions, wish to invest in a nation like Nigeria given the huge economic potential. Subsequently, they are faced with the challenges associated with market volatility and unpredictability. 'Value erosion,' which is a significant risk, occurs in the recurrent devaluations of the local fiat currency, which can be quite discouraging for any potential investor. Financial market investors must be particularly sensitive to the ups and downs of the economy in that when (and if) there is a resurgence in annual stock market performance, it is likely that there could be an instigation of inflow or outflow of funds dependent on the current economic performance.

Process Risk: Investors choose to be risk-averse because of the uncertainty and the lack of predictability about returns on their investments. This is because the infrastructure of the markets and related portfolio of financial products may be missing, and there may not be very many assurances around the operating procedures in these markets. Although a number of papers have been developed in Nigeria on the subject of mainly sustainable banking, they remain heavily concentrated on the responsibilities of a deposit taking microfinance institution. When investigating investment capital possibilities into the various infrastructures in Nigeria, issues centered on the perceptions of the same infrastructures in relation to being in line with sustainable finance dynamics do not appear to exist. Instead, the overriding argument is based mostly on the purview of investors regarding an unfolding market that shows signs of maturity and suggests that there would arise enormous economic potential. Usually, the assessment of the sector is nothing short of skeptical. Of particular concern is that nearly 97% of investment inflows typically flow into the financial markets, mostly for repatriation and not long-term investing. This is because the deep liquidity of the markets in comparison with other investment opportunities makes them more investor friendly (Olajide, 2024).

Possible Solutions to the Challenges of Sustainable Finance in Nigeria

According to Shobanjo (2022), the following are some of the possible solutions to the challenges of sustainable finance in Nigeria:

a. The formulation of detailed and clear-cut definitions and technically sound categorizations for sustainable assets and financial products in Nigeria - The formulation of appropriate definitions of pertinent terms for sustainable finance in Nigeria is vital in view of the growing studies and projects on sustainable financing in Nigeria. This is so because it is anticipated that sustainable finance will aid the development strategy of Nigeria in specific national priority areas. This implies that, in addition to the economic benefits of financial investment, sustainable finance can also contribute to the achievement of the objectives of the Nigerian vision, the Nigeria Economic Recovery and Growth Plan, the various national action plans, the nation's commitment to the Sustainable Development Goals, the Intended Nationally Determined Contribution, and the efforts to address climate change, desertification, erosion, and other environmental challenges that are related to economic development and growth.

b. Increasing awareness by creating sustainable finance modules for academic institutions, like business schools, or for professional bodies and networks - Given the growing interest and investments in sustainable finance, academic institutions are called to offer new programs and courses in sustainable and ESG finance to meet workforce demand while also preparing students for finance roles that become increasingly relevant as finance evolves to meet the pressing societal challenges of our time. As business and finance are guided increasingly by sustainability, interest is growing systematically to develop "sustainability modules". These activities can help business schools train professionals about the principles that are important in ESG and impact areas in order to achieve a sustainable economy.

c. The creation of sustainable and lasting digital finance solutions - The rationale behind the provision and uptake of digital finance is to provide and access financial services, explained largely by the search for the construction of new platforms in financial markets and ecosystems. Today, providers of Digital Financial Services cut across traditional banks, financial service providers, and standalone mobile network operators, both global and local/private. Digital Financial Services platforms are varied and work as development agents promoting inclusivity as well as ease of access to financial tools that can facilitate transactions and other financial services. As a result, Digital Financial Services are often cited as a means of fostering financial inclusion.

d. The creation of more sustainable finance instruments/products - Sustainable finance includes a range of instruments and products that aim to finance projects and companies that address environmental, social, and governance issues to promote sustainable development. Some notable instruments include green bonds, social impact bonds, and sustainable investment funds. These can be issued or sold by a range of business entities such as private corporations, multilateral development agencies, non-profit organizations, and the public sector. The corporate entities come from a range of industries in the economy, including energy, waste and pollution management, recycling, water supply and treatment, public transportation, social services, health, education, and much more. Hence, the tools are used in a range of businesses and by a diverse set of entities. There is a diverse set of individual and corporate investors and donors who buy or own the sustainable finance products. This group includes foundations, high-net-worth investors, pension funds, asset managers, and insurers.

e. Enhanced and consistent non-financial, or sustainable, disclosure should be prioritized by both the users and preparers of financial information - Concerns about the negative externalities associated with business activities and the need for businesses to engage with sustainable development have altered the way in which firms are expected to report on their performance. Corporate reporting that extends beyond economic and financial content to also describe substantially the environmental, social, and governance consequences of corporate operations and that includes a company's strategic mission to achieve sustainable development is often referred to as integrated or sustainable non-financial reporting and requires new practices of report preparation and new techniques to assure that reported information is accurate.

Exploring Sustainable Finance Opportunities in Nigeria

Sustainable finance presents a unique investment opportunity for a country like Nigeria (Finance Insights, 2023). Business and the world are waking up to the fact that people and individuals do not want money that is in their stocks or in their control to be used for conflicting uses. We do not want to be sitting up and making profit from deforestation in the Nigerian forests or from child labour, forced labour, terrorism, or the violation of rights. Young people, the major claim holders in the market, are signaling to the investment community which investments they would like to attract by the way they invest. Nigeria can position itself to attract private investments by ensuring that rates of return on investment, consequences on communities, and implications for environmental depletion are considered (Nwokolo, et al. 2023). Nigeria is a promising destination for any responsible investor, especially as new investment vehicles emerge in green bonds, social impact bonds, and climate bonds.

One of the opportunities for sustainable finance in Nigeria is renewable energy (Onuh, et al. 2024). With significant exposure to sunshine, the optimal irradiation level that could be translated to cheaper and honest power costs, it should be possible to identify some good business cases to pursue. The off-grid markets, in particular, in a country with a power challenge, are particularly compelling, making mini-grid investments a potential key target. Second is agriculture and agribusiness. Agriculture is one of the most carbon-heavy sectors in the world and is also one of the sectors that will suffer the most from climate change (Nsabiyeze, et al. 2024). Investment in agriculture towards sustainability holds significant funding potential. Investment in the sustainability of the agricultural sector includes areas such as climate-smart agriculture and other means of increasing the chances of Nigeria attaining sustainability in food growing practices in years to come. Third is waste management and innovative technologies. This would be based on providing new solutions to old problems, pointing to new challenges, supporting investment in climate-resilient capacity. Fourth is climate-smart technology investment-inclusive green growth. Innovation in technology is key to sustainability in financial inclusion (Sant'Anna & Figueiredo, 2024). As the number of people living in fragile and conflict-affected states continues to grow, resilience investing has the potential to deliver a range of benefits, helping to mitigate the political and security risks that can emerge from a lack of economic, social, and environmental resilience.

Renewable Energy Investments in Nigeria

Nigeria has abundant renewable energy sources that could be used to contribute to the achievement of the country's energy and climate objectives and also support sustainable economic development (IRENA, 2023). The major reasons for investing in renewable energy in Nigeria are: securing energy equity and access for rural and community dwellers, ensuring that the population who are underserved or not served at all by the national grid have access to electricity; promoting cleaner development and rapid industrialization with little damage to the environment (Emezirinwune, et al. 2024). As one of the countries with a serious energy deficit, the need for renewable energy development in Nigeria is urgent. The renewable energy resources in Nigeria can be categorized into solar, wind, small hydropower, biomass, biofuel, municipal waste, and small to medium hydrocarbon deposits (Obada, et al. 2024).

The renewable energy market is in its infancy stage in Nigeria and, at present, the renewable energy sources predominantly used in Nigeria range from fuel wood to small- to micro-scale hydropower. Despite this, a significant number of projects and initiatives are currently being undertaken in the renewable energy sector in Nigeria, from rural off-grid systems to hybrid systems that supplement the public power grid. The majority of off-grid systems are in the rural areas of Nigeria, especially the northern areas, and often involve the electrification of pilot villages. The major challenges militating against renewable energy projects in Nigeria are a weak and non-enabling policy framework, inadequate funding, and limited capacity for the design, promotion, and management of such projects in Nigeria (Ejiga, et al. 2024). Nigeria, being the most populous country in Africa, will benefit immensely from international collaboration not only in the form of technology transfers that such partnerships bring but mostly in the area of easy access to cheap long-term financing for both on- and off-grid renewable energy projects. This is crucial because of Nigeria's overdependence on government for financing of all kinds of projects. Finally, investment in renewable energy has been recognized as a major potential avenue to enhance sustainable rural development and create jobs and needs careful incorporation into Nigeria's development strategy if the benefits of renewable energy are to be harnessed in a sustainable manner. A greater potential for job creation is possible due to the utilization of agroforestry. In terms of environmental benefit, renewable energy sources in Nigeria can increase the supply of energy to the masses, both domestic and industrial sectors, and trigger substantial economic growth (Somoye, 2023). Further, it can reduce concentration on oil resources and branch out into agriculture as an input to renewable energy. Indeed, renewable energy from trees can provide an umbrella coverage for Nigeria against the unpredictability of the international oil market.

Potential Impact of Sustainable Finance on Nigeria's Economic Development

Having discussed the concept of sustainable finance in measurable terms, it is important to understand its true impact on Nigerian economic development. It is pertinent to understand that economic development can only be achieved in a country when the economy reverses the race to the bottom by protecting the environment for present and future generations. Moreover, sustainable banking and finance are part of sustainable development. Similarly, sustainable finance supports long-term sustainable growth and human adaptation, not short-term and unsustainable debt-fueled consumption, excessive risk-taking, or excessive leverage, speculative investors, short-termism, wasteful expenditures, harmful practices, polluted and non-circular economy depletion of resources, inefficiency, corruption, market fragmentation, and narrow, temporary benefit or rent-seeking that do not translate into tangible nation-building.

In order for the rapid growth of clean and environmentally friendly businesses and technologies to have a significant impact, there needs to be a substantial and sustainable capital investment to support it. At present, this level of investment is less than 1% of the world's wealth, which falls far short of the 85 trillion dollars needed to achieve sustainable development goals in emerging markets. In addition to capital, there also needs to be policy-driven deep green markets at a commercial scale, which requires enabling green and sustainable banking policies and long-term sustainable finance. These policies and incentives must eliminate structural barriers and time horizons for environmental impacts and encourage long-term sustainable business practices. This responsibility extends beyond the government, as the Financial Sector Development Plan must also recognize the economic value of investing in sustainable growth. The report should delve into an in-depth exploration of what sustainable finance is, the various market obstacles it faces, and how Nigerian banks can be effectively motivated to turn these challenges into remarkable opportunities for both the environment and economic prosperity. By embracing sustainable finance and integrating environmentally conscious practices into their operations, Nigerian banks can not only contribute to a greener and cleaner future but also position themselves as leaders in the global financial sector, attracting investment and fostering long-term growth. Together, through collaborative efforts between governments, financial institutions, and businesses, we can strive towards a future where sustainable finance plays a pivotal role in driving economic development, preserving our ecosystem, and creating a world that future generations can thrive in.

Conclusion and Future Directions

This paper has tried to show that there are multifaceted challenges that need to be addressed in order to unlock the potentials of sustainable finance in Nigeria. While the process of integrating sustainability into the core of financial management is challenging, success in establishing sustainable finances would be a catalyst for economic growth and development that meets the needs of present generations without compromising those of future ones. One of the major limitations of our discourse is the fast pace of technological change and the high level of innovation in finance. Certainly, digitally based services and products could change the opportunities and challenges of sustainable finance at a fast pace. Therefore, there is a need for continuous research on the trends in the field of finance, including green and SDG bonds, innovative financial instruments, community banks, and so on. This constant search could be channeled into dynamic policy strategies. Policy strategies could, over time, aim at enhancing more detailed policy measures to tackle specific challenges, perhaps independently at the early stages, which could later be integrated into adaptive, comprehensive sustainable finance. Culturally sensitive approaches need to be applied in these permutations, and close collaboration with stakeholders should be the goal so that everyone can have a say. Findings emerging from such processes should be used to influence the capacity-building programs to be designed around sustainable finance. Stakeholders in Nigeria should be at the center of things, as they have a lot of information and expertise to share. Universities and research groups should be keen on the need and ready to support the government as knowledge leaders in promoting education and capacity-building programs.

Policy Recommendations

Based on the assessment of this paper, the following policies were recommended:

1. Develop comprehensive regulations for a legal framework that will support sustainable investment in Nigeria, covering banking, capital markets, insurance, pensions, and other relevant financial intermediaries and policymakers.
2. Create incentives for all companies, especially SMEs, to adopt sustainable finance practices, including green finance and financial products. Measures may include financing for capacity building, capital grants, savings, preferential loans, and tax incentives.
3. Include sustainable finance awareness courses and seminars in business schools' business studies, economics, banking courses, and professional banking, insurance, and capital markets professional examinations.
4. Develop corporate governance codes for banks, insurance, pension funds, and securities. This should include implementing environmental and ethical standards, in addition to underwriting financing to environmentally and ethically responsible

companies that have good governance structures.

5. Simplify annual sustainability reports for SMEs so that they are not too costly to produce, and where necessary, advice could be sought from organizations and environmental groups. Set up webpages or electronic databases for the publication of companies' green finance activities so that investors can access this information on a regular basis.
6. Promote public-private partnerships for sustainable projects such as renewable energy, water management, agricultural activities, carbon management, and healthcare.
7. Exchange staff of financial intermediaries' policies with regulators or government departments, and vice versa, to promote better understanding between financial intermediaries, financial policy authorities, and other stakeholders. Financial intermediaries may also second portfolio companies to government departments to share best business practices on sustainable investing.

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