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# Assessing the relationship between Environmental, Social and Governance (ESG) initiatives and the profitability of a firm: A case of Zambian Breweries Plc, Lusaka Plant

Eddie Mwenya * and Christine Lesa

*Department of Business Studies, Graduate School of Business, University of Zambia, Zambia.*

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## Abstract

The study establishes the relationship between Environmental, Social, and Governance (ESG) initiatives and the profitability of Zambian Breweries Plc, Lusaka Plant. The sample size was 160 for quantitative data and 10 for qualitative data. Using a multiple regression analysis of survey data and financial reports from 2021 to 2023, the study assesses the relationship between ESG initiatives and the firm's profitability. The results reveal a moderate positive relationship ($R = 0.406$) between ESG initiatives and profitability, with ESG factors explaining 16.5% of the variation in profitability ($R^2 = 0.165$). Among the three ESG components, social initiatives exhibited the strongest relationship with profitability ($\beta = 0.362$, $p < 0.05$), indicating that employee training and development, responsible marketing and community engagement initiatives significantly enhance financial performance. Governance initiatives had a moderate but statistically insignificant relationship ($\beta = 0.144$, $p = 0.065$), suggesting the need for stronger governance structures to realize profitability gains. Conversely, environmental initiatives showed an extremely weak and insignificant relationship with profitability ($\beta = 0.011$, $p = 0.883$), likely due to high implementation costs and delayed financial returns. The findings align with the stakeholder theory, which emphasizes the financial benefits of prioritizing social responsibility, and partially support agency theory, which highlights the role of governance in profitability. Conversely, the weak relationship between environmental initiatives and profitability contradicts the resource-based view (RBV) theory, which posits that sustainability can be a source of competitive advantage and improved profitability. The qualitative findings highlight key implementation challenges, including lack of knowledge and expertise, resistance to change, lack of stakeholder engagement, limited access to sustainable resources and regulatory compliance challenges. To address these challenges, the study recommends strategies such as continuous staff development and training, enhanced community and stakeholder engagement, governance through transparency and ethics, and increasing investments in sustainable technology. The study concludes that while ESG initiatives contribute to profitability, Zambian Breweries Plc should prioritize social investments while strengthening governance and environmental initiatives.

**Keywords:** Environmental, Social and Governance (ESG); Profitability; Sustainability; Zambian Breweries Plc; Multiple Regression Analysis

## 1. Introduction

Environmental, Social, and Governance (ESG) criteria assess a company's commitment to sustainable and ethical practices. Environmental factors focus on how a company manages its relation with natural resources and climate such as greenhouse gas emissions, water conservation, energy efficiency (Eccles & Klimenko, 2023). Social factors evaluate the company's interactions with stakeholders, including labor conditions and community engagement (Sullivan & Mackenzie, 2024). Governance factors pertain to the company's management practices, such as board diversity and

* Corresponding author: Eddie Mwenya

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executive compensation (Grewal & Hauptmann, 2024). ESG considerations are crucial in investment decisions and have been shown to influence profitability (Kotsantonis, et al., 2024).

The integration of Environmental, Social and Governance (ESG) criteria into corporate strategies has gained significant attention as stakeholders increasingly demand sustainable and responsible business practices. ESG encompasses a range of factors including environmental, social responsibility, and corporate governance, all of which are believed to influence a firm's profitability (Khan, et al., 2023). According to (Ruan & Liu, 2021), increasingly noticeable environmental, social and governance risks and problems have made more and more companies and regulatory agencies realize the importance of environmental, social, and governance (ESG) activities.

Apart from the growing importance of ESG to investors and other stakeholders, there is evidence that ESG does enhance the profitability of firms. For example, In Germany, in a near-exhaustive examination, (Friede, et al., 2015) investigated the relationship between ESG and profitability based on aggregated evidence from more than 2000 empirical studies and found that more than 50% of studies have a non-negative ESG and corporate profitability relation. According to (Kell, 2018), a study on ESG and market performance found that operating with an ESG-oriented approach has been a strategy adopted by many entities and proves that stocks of sustainable companies tend to outperform their less sustainable counterparts (Kell, 2018). Similarly, In Russia, a study conducted by (Koroleva, et al., 2020) established from the results that companies that comply with ESG principles demonstrate significantly better profitability than other companies. The stakeholder theory supports the adoption of ESG initiatives and signals that the company is stakeholder-focused and manages its operations sustainably for the long-term which translates into superior economic returns over time.

However, there are also contrasting views against the ESG concept. Some scholars argue that investments in ESG areas represent additional costs that can negatively affect profitability. In addition, critics worry that ESG is a distraction from the corporate imperative to focus on return on investment (ROI) and financial growth. For example, a study conducted by (Sukanya, et al., 2015) found a negative relationship between CSR practices and corporate profitability which was attributed to the additional costs of undertaking CSR activities that do not enhance or contribute to shareholder value. The more a firm becomes more socially responsible, the more difficult it becomes for it to increase its economic profits, as it cannot readily engage in projects without assessing their implications for ESG frontiers (Sukanya, et al., 2015). According to (Ruan & Liu, 2021), there is still no consensus as to whether ESG activities have promoted or negatively affected corporate profitability.

This study therefore focuses specifically on assessing the relationship between ESG initiatives and the profitability of a firm, in the case, Zambian Breweries Plc. Zambian Breweries Plc, listed on the Lusaka Securities Exchange (LuSE), operates in the beverage manufacturing industry and is part of a multinational giant. Zambian Breweries Plc is one of the pioneers in CSR and sustainability programs in Zambia with substantial investments in environmental protection, safety standards, responsible drinking initiatives and community upliftment over the past decade (Zambian Breweries, 2023).

Understanding whether ESG practices result in superior profitability is an important research question, especially in the context of a developing country like Zambia with different socio-economic dynamics compared to western economies where most empirical studies have been conducted so far. Evidence from Zambian Breweries Plc's example which operates in the beverage manufacturing industry where empirical research of this nature has not yet been conducted can potentially highlight incentives for other Zambian companies across sectors, especially in the beverage manufacturing industry to adopt ESG practices whilst also contributing insights for policymakers seeking to formulate relevant guidelines or regulations around responsible business practices.

The specific relationship of ESG on profitability in Zambia, and particularly in the beverage manufacturing industry like brewing remains under-explored. For instance, (Munyati, 2024) pointed out that the relationship of ESG on corporate profitability is an emerging area of research, particularly in sectors like brewing, where environmental and social factors are increasingly scrutinized. Therefore, this study seeks to address this gap by examining the relationship of ESG on the profitability of Zambian Breweries Plc, contributing valuable insights to both academic literature and industry practice.

## 1.1. Study objectives

The research questions that guided this study were as follows:

- To establish the relationship between Environmental, Social and Governance (ESG) initiatives and profitability of Zambian Breweries.
- To explore the challenges that Zambian Breweries experiences in implementing Environmental, Social and Governance (ESG) initiatives.
- To identify strategies that can enhance the implementation of ESG initiatives for improved profitability at Zambian Breweries.

## 1.2. Theoretical Framework

The following theories were adopted in the study.

### *1.2.1. Stakeholder Theory*

Stakeholder theory asserts that businesses should prioritize the interests of all stakeholders—such as employees, customers, suppliers, communities, and the environment—rather than focusing solely on shareholders (Barney & Hesterly, 2015). By integrating Environmental, Social, and Governance (ESG) considerations into their strategies, companies can strengthen stakeholder relationships, enhance brand reputation, and reduce risks related to regulatory compliance and public perception. Research indicates that firms with strong stakeholder relations can sustain profits and improve their positions, highlighting the theory's emphasis on creating value for all stakeholders to ensure long-term business sustainability. In the context of Zambian Breweries, the theory underscores the importance of ESG initiatives in meeting stakeholder expectations, suggesting that environmentally sustainable practices can lead to increased loyalty, sales, and profitability.

### *1.2.2. Resource-Based View Theory*

The Resource-Based View (RBV) theory posits that a firm's competitive advantage and profitability stem from its unique resources and capabilities (Barney & Hesterly, 2015). This perspective suggests that companies can leverage intangible assets related to ESG practices to create value and achieve a competitive edge. The RBV emphasizes the importance of dynamic capabilities that allow firms to adapt to changing ESG requirements and seize new opportunities. For instance, research indicates that ESG factors can serve as rare and difficult-to-imitate resources that enhance performance. In the case of Zambian Breweries, effective ESG initiatives are viewed as valuable resources that can differentiate the firm in the beverage market, improve operational efficiency, and attract investments, ultimately leading to better profitability compared to competitors who do not prioritize sustainability.

### *1.2.3. Agency Theory*

Agency theory examines the relationship between principals (shareholders) and agents (management), focusing on how conflicts of interest can impact decision-making and firm performance (Velte, 2017). In the context of ESG factors, it suggests that management may prioritize personal interests over shareholder concerns, potentially neglecting long-term sustainability. Studies show that firms with strong ESG performance tend to achieve better long-term profitability, indicating that aligning management incentives with ESG goals can reduce agency conflicts and enhance shareholder value. Furthermore, companies with independent and diverse boards are more likely to integrate ESG considerations into decision-making, leading to improved profitability. Within Zambian Breweries, agency theory provides a framework for understanding how commitment to ESG initiatives can foster transparency and ethical practices, aligning management actions with shareholder interests and potentially enhancing profitability through reduced agency costs.

## 1.3. Conceptual Framework of the Study

Based on the review of empirical studies and underlying theoretical foundations, a conceptual model is presented below linking ESG practices as the independent variables with profitability as the dependent variable.

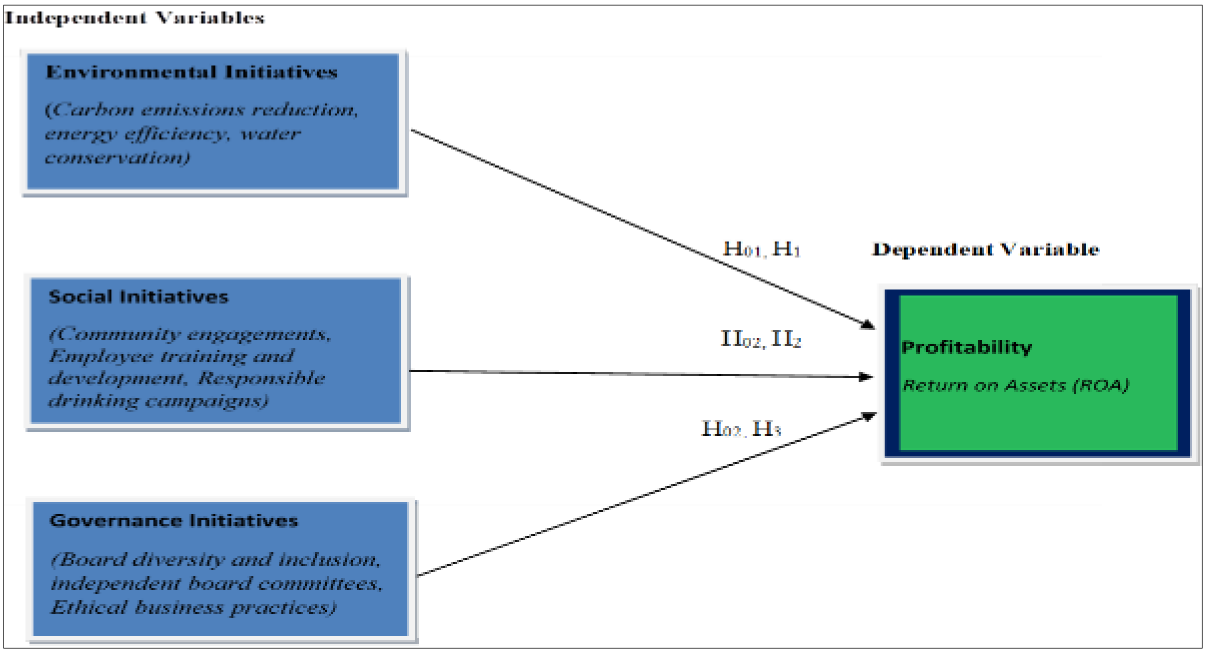


**Figure 1** Conceptual Framework

## 2. Literature Review

### 2.1. Overview of Zambian Breweries

Zambian Breweries, a subsidiary of AB InBev, is a leading beverage manufacturing firm in Zambia, established in 1964. As one of the largest producers of beer and soft drinks in the country, Zambian Breweries has played a pivotal role in the local economy by creating jobs and supporting local agriculture through its procurement of raw materials, particularly maize and sorghum (Zambian Breweries, 2023). The company operates several production facilities, including its main plant located in Lusaka, which is equipped with state-of-the-art technology to ensure high-quality production standards while adhering to international best practices. In recent years, Zambian Breweries has increasingly focused on integrating Environmental, Social, and Governance (ESG) initiatives into its operational framework. This commitment is reflected in the company’s sustainability strategy, which aims to reduce its environmental footprint, enhance community engagement, and ensure robust governance practices. According to the Zambia Environmental Management Agency (ZEMA), Zambian Breweries has implemented various environmental initiatives, including water conservation programs and waste management practices that align with national regulations and international sustainability goals (ZEMA, 2023). These initiatives not only contribute to environmental sustainability but also enhance the company's reputation among stakeholders.

The profitability of Zambian Breweries is closely linked to its ESG initiatives. Studies have shown that companies that adopt sustainable business practices often experience improved profitability (Kotsantonis, et al., 2024). Zambian Breweries has reported that its investment in sustainable practices has led to cost savings, particularly in water and energy consumption, which in turn positively relates to profitability (Zambian Breweries, 2023). By aligning its business strategy with ESG principles, the company aims to create long-term value for its shareholders while addressing the growing concerns of consumers regarding corporate responsibility. Moreover, Zambian Breweries actively engages with local communities through various social initiatives. The company has launched programs aimed at promoting responsible drinking and supporting local development projects, such as education and health initiatives (Zambian Breweries, 2023). These efforts not only enhance the company’s social license to operate but also foster goodwill among consumers and local communities, ultimately contributing to brand loyalty and market share. As noted by (Munyati, 2024), companies that prioritize social responsibility tend to build stronger relationships with their stakeholders, which can lead to enhanced profitability.

In a nutshell, Zambian Breweries exemplifies a commitment to integrating ESG initiatives into its core business operations. By focusing on environmental sustainability, social responsibility, and effective governance, the company aims to explore the challenges of the modern business landscape while enhancing its profitability. This study will assess the relationship between these ESG initiatives and the profitability of Zambian Breweries, contributing valuable insights to the understanding of sustainability practices in the beverage manufacturing sector in Zambia

## 2.2. Environmental, Social and Governance (ESG) Initiatives and profitability

The section below provides literature review on the relationship between Environmental, Social and Governance (ESG) Initiatives and the profitability.

### *2.2.1. Environmental initiatives and profitability*

Global Perspective

Empirical studies have yielded mixed results regarding the relationship between environmental performance and financial performance. Several meta-analyses have found a positive association between environmental practices and financial metrics such as return on assets (ROA), return on equity (ROE), and stock market performance (Endrikat et al., 2014). However, other studies have reported negative or insignificant relationships, suggesting that the costs of environmental initiatives may outweigh their benefits.

For example, in a study conducted by (Xie, et al., 2018), the findings show that not all environmental policies will improve financial performance. Further, (Xie, et al., 2018) found that firms that choose to use the sustainable packaging policy are more likely to have higher ROA and market value. However, activities such as emission-reduction initiatives, climate change policy, and discussion of climate change opportunities and risks and new products related to climate change and energy efficiency policy have no significant relationship with corporate efficiency, ROA, or market value (Xie, et al., 2018). Furthermore, (Xie, et al., 2018) also observed that a green building policy is positively associated with both corporate efficiency and ROA. Improvement in financial performance occurs only if the policy aims to enhance environmental performance with any potential profit higher than the additional cost (Xie, et al., 2018). In Indonesia, (Susilawati, et al., 2023) investigated the influence of CSR and environmental performance on financial performance using multiple regression techniques and found that environmental performance, shows a positive influence on financial performance.

According to (Susilawati, et al., 2023), this result was attributed to effective industrial waste management practices implemented by the sampled companies in this study. Consequently, (Susilawati, et al., 2023) claimed that the enhancement of industrial waste management leads to a competitive advantage and ultimately drives increased company profits. In Germany, (Trumpp & Guenther, 2015) explored the u-shaped relationship between corporate environmental performance and corporate financial performance and found empirical evidence of a non-linear, specifically a U-shaped relationship between carbon performance and profitability as well as between waste intensity and profitability. Regarding the findings, (Trumpp & Guenther, 2015) asserted that it pays to be green only after exceeding a minimum level of corporate environmental performance. In Romania, (Dobre, et al., 2015) investigated the influence of environmental and social performance on financial performance evidenced from Romania's listed entities and found that there is a significant effect of increasing water, air and soil protection on financial performance measured by ROE, but the effect is negative. Contrary to (Susilawati, et al., 2023), (Dobre, et al., 2015) found that other environmental factors such as waste policy, energy, gas, soil and sound pollution improvements have no influence on the financial performance measured by ROE. In China, (Song, et al., 2017) examined the relationship between environmental management and financial performance of Chinese listed firms from 2007 to 2011 and found that environmental management is significantly and positively related to financial performance in the subsequent years, implying that environmental management can significantly improve future profitability. Further, (Song, et al., 2017) mentioned that environmental investment consumes capital and resources, hence results in their study indicate that environmental management is not significantly related to improved financial performance in the current year. In a study conducted by (Lee, et al., 2014), it was found that there is a significant positive relationship between environmental responsibility and financial performance (ROE) at the firm level, and between environmental responsibility and operational performance at the firm level. For dependent variables (Lee, et al., 2014) used ROE to measure financial performance, and ROA to measure operating performance. For the independent variable (environmental responsibility), (Lee, et al., 2014) used environmental strategy, environmental organization, environmental management, environmental performance, environmental correspondence (stakeholder) and total environmental evaluation score as proxy variables.

Contrary to the findings of (Xie, et al., 2018), a study conducted by (Batae, et al., 2020) found that the only environmental dimension that is correlated with or has a positive relationship on financial performance refers to emissions and waste reduction. Contrary to the finding of (Batae, et al., 2020), a study conducted by (Khoury, et al., 2021) in which the environmental responsibility pillar was derived from a predetermined weighted score on indicators related to emission, innovation and resource use found a negative relationship between environmental initiatives and financial performance. Environmental initiatives only affect accounting performance (ROA/ROE) with a convex relationship, illustrating the presence of a U-shaped relationship (Khoury, et al., 2021). More specifically, while a negative relationship between environmental initiatives and accounting performance (ROA/ROE) may occur at an early stage, there is a turning point after which the relationship becomes positive (Khoury, et al., 2021). This recommends that improving environmental responsibility is a procedure that takes a long time to reap its benefits (Khoury, et al., 2021). The findings in this study conducted by (Khoury, et al., 2021) are similar to the findings in another study conducted by (Trumpp & Guenther, 2015) in which they explored the U-shaped relationship between corporate environmental performance and corporate financial performance and found empirical evidence of a non-linear, specifically a U-shaped relationship between carbon performance and profitability as well as between waste intensity and profitability. Similar to (Khoury, et al., 2021), (Trumpp & Guenther, 2015) concluded that it pays to be green only after exceeding a minimum level of corporate environmental performance.

Another study conducted by (Shaikh, 2021) shows statistical evidence that environmental disclosure and return on assets (ROA) are adversely (negatively) associated. It's evident that when companies decide to practice sustainability, they need to employ more financial resources in terms of non-monetary assets, which results in an increased amount of capital expenditure (CAPEX) and a considerable amount of operational overhead (Shaikh, 2021). During the initial fiscal years of sustainability practice, the undertaking's profitability shrinks due to increased overheads (Shaikh, 2021). The assertions made by (Shaikh, 2021) regarding the shrinkage of profitability due to increased capital expenditure in the initial fiscal years of sustainability practice are similar to those of (Khoury, et al., 2021), (Trumpp & Guenther, 2015) and (Song, et al., 2017) in their findings. Furthermore, all four (4) scholars report in their findings that even though environmental activities are costly in the initial stages and relate negatively on financial performance, they eventually influence improved financial performance of a firm in the long run; hence the convex (u-shaped) relationship between the two variables (environmental initiatives and financial performance). In Greece, (Triantafyllidou, 2021) investigated the relationship between the ESG criterion and the financial performance of a company and found a negative correlation between the environmental pillar and financial performance.

According to (Xie, et al., 2018), the strength and nature of the relationship between environmental initiatives and financial performance of a firm may depend on various factors, including the specific environmental initiatives implemented, the industry sector, the geographic context, and the time frame considered.

African Perspective

In the African context, research on the relationship between environmental initiatives and financial performance is relatively limited compared to developed regions. However, several studies have contributed to the understanding of this relationship within the unique environmental and socio-economic challenges faced by African countries.

A study conducted by (Dzomonda & Fatoki, 2020) in which environmental compliance and carbon emission reduction were used as parameters for environmental sustainability found that there is a significant positive relationship between both parameters (environmental compliance and carbon emission reduction) and financial performance. Further, (Dzomonda & Fatoki, 2020) postulated that being a compliant business in terms of environmental requirements such as ISO 14001 and internal environmental policies may increase the profitability of the business as measured by EPS (Equity per Share). On the contrary, a study conducted by (Botchwey, et al., 2022), found that environmental initiatives (energy consumption, waste management, emissions) and return on assets (ROA) as a measure of financial performance did not establish any significant relationship between the two variables. Environmental reporting includes disclosing sustainability indicators such as energy consumption, waste management, emissions, and biodiversity (Botchwey, et al., 2022).

Local (Zambian) Perspective

Research specifically focused on the relationship between environmental initiatives and financial performance in the Zambian context is limited. However, some studies have explored broader environmental issues and their implications for businesses operating in Zambia. In Zambia, (Mwanza & Chinyonga, 2024) investigated the relationship of sustainability accounting and reporting on firm value, a case of listed companies on Lusaka Stock Exchange (LUSE). Based on the results, (Mwanza & Chinyonga, 2024) concluded that there is an increase in environmental sustainability activities of listed companies which has a positive and significant effect on the firm value (ROA). Similarly, in Zambia, (Choongo, 2017) conducted a longitudinal study on the relationship of corporate social responsibility on firm performance of SMEs in Zambia, the results show that the two dimensions of CSR (social and environmental) significantly and positively relationship financial performance. In the context of Zambian Breweries Plc, the company has published sustainability reports highlighting its environmental initiatives, such as water stewardship, energy efficiency, and waste reduction programs. However, there is a lack of empirical research specifically examining the relationship of these initiatives on the company's financial performance.

### *2.2.2. Social initiatives and profitability*

The relationship between social initiatives and financial performance has been extensively studied globally, with researchers drawing upon various theoretical frameworks, including stakeholder theory, the resource-based view, resource dependency theory and the legitimacy theory.

Global Perspective

Empirical studies have produced mixed findings regarding the relationship between social initiatives and financial performance. Several meta-analyses and literature reviews have reported a positive association between social initiatives and various financial metrics, such as return on assets (ROA), return on equity (ROE), and stock market performance (Choi & Wang, 2016). In a study conducted by (Shakil, et al., 2019), a positive association of environmental and social performance with the financial performance of banks in emerging countries was established. Similar to the findings by (Shakil, et al., 2019), a study conducted by (Velte, 2017) using the multivariate regression analysis provided that both the total Environmental, Social and Governance (ESG) performance and the three components ( Governance, Environment and Social) are positively and significantly related to ROA as accounting-based variable of financial performance. In Sweden, (Chen, et al., 2015) investigated the relationship between disclosures of corporate social performance and financial performance evidenced from GRI reports in the manufacturing industry and found that labor practices and decent work performance indicators, which are occupational health and safety and equal remuneration for women and men are positively and significantly correlated with ROE. Further, (Chen, et al., 2015) found that human rights performance indicators, which are investment and procurement practices are significantly correlated with ROE. Furthermore, (Chen, et al., 2015) found that in society performance indicators analysis, compliance is positively and significantly correlated with ROE.

Lastly, in product responsibility performance indicators, which is marketing communications, (Chen, et al., 2015) found that it has a positive and significant correlation with ROE. In a study conducted by (Cho, et al., 2019), six evaluation items were used, namely; soundness, fairness, contribution to social service, consumer protection satisfaction, environmental protection satisfaction, and employee satisfaction as the variables of CSR (independent variable) and ROA was chosen as a proxy variable for financial performance to measure profitability. In this study (Cho, et al., 2019) found that in the correlation between CSR performance and profitability (ROA), only fairness, contribution to social service, consumer protection satisfaction, and employee satisfaction (social contribution) has a positive relationship with financial performance at a significant level. On the other hand, (Cho, et al., 2019) asserted that while soundness and environmental protection (environmental contribution) have a positive relationship with ROA, they are not statistically significant. However, other studies have found negative or insignificant relationships, suggesting that the costs of social initiatives may outweigh their benefits or that the relationship is complex and context-dependent. For instance, a study conducted by (Khoury, et al., 2021), found that the social pillar displayed a concave relationship with accounting measures i.e., return on assets (ROA). According to (Khoury, et al., 2021), this suggested that a better social pillar is associated with a better short run financial performance, while an augmented social pillar is associated with a lower company financial performance in the long run. Conversely, in another study conducted by (Shaikh, 2021), it was found that social disclosures contribute adversely (negatively) to corporate financial performance. In Greece, (Triantafyllidou, 2021) investigated the relationship between the ESG criterion and financial performance of a company and found no relation between the social pillar and financial performance.

African Perspective

In the African context, research on the relationship between social initiatives and financial performance is relatively limited compared to developed regions. However, several studies have explored this relationship within the unique socio-economic challenges and cultural contexts of African countries.

In Kenya, (Agutu & Githira, 2023) investigated the relationship between sustainability reporting and financial performance of listed financial firms. The results in this study show that social sustainability reporting has a positive and significant influence on the financial performance of listed financial firms in Kenya. Further, (Agutu & Githira, 2023) pointed out that institutions should focus on social sustainability to improve financial performance through improved reputation and legitimacy, increased employee and customer's loyalty, and enhanced brand value. Increasing social sustainability initiatives, which culminate in high reporting scores, will translate into improved financial performance and a higher return on equity. A study conducted by (Botchwey, et al., 2022), stated that the social dimension of sustainability entails disclosures on human resources, labor practices, relationship on society, and corporate social responsibility. Similar to the findings of (Agutu & Githira, 2023), the results in this study conducted by (Botchwey, et al., 2022) indicate that the social sustainability has a significant favorable influence on financial performance and firm value.

Local (Zambian) Perspective

Research specifically focused on the relationship between social initiatives and financial performance in the Zambian context is limited. However, some studies have explored broader social issues and their implications for businesses operating in Zambia.

In a study conducted by (Mwanza & Chinyonga, 2024), the findings indicated that there was a weak association between the dependent variable (ROA) and the independent variables (environmental and social sustainability). Furthermore, in a longitudinal study conducted by (Choongo, 2017), the analysis results showed that the two dimensions of CSR (social and environmental) significantly relationship financial performance.

In the context of Zambian Breweries Plc, the company has published sustainability reports highlighting its environmental, social and governance initiatives, such as community development programs, employee training and development, and responsible drinking campaigns, etc. However, there is a lack of empirical research specifically examining the relationship between these environmental, social and governance (ESG) initiatives and the company's financial performance.

### *2.2.3. Governance initiatives and profitability*

The relationship between corporate governance practices and financial performance has been extensively studied globally, with researchers drawing upon various theoretical frameworks, including agency theory, resource dependency theory and stakeholder theory.

Global Perspective

Empirical studies have produced mixed findings regarding the relationship between corporate governance practices and financial performance. Several meta-analyses and literature reviews have reported a positive association between various governance mechanisms, such as board independence, CEO/Chair duality, and ownership concentration, and financial metrics like return on assets (ROA), return on equity (ROE), and Tobin's Q.

For instance, a study conducted by (Tan, et al., 2016), CEO/Chairman duality, board size and presence of independent directors were used as proxies of the corporate governance as the independent variable. In this study by (Tan, et al., 2016) the dependent variable was financial performance which was measured by return on assets (ROA), return on equity (ROE) and Tobin's Q. (Tan, et al., 2016) found that there is a statistically strong and positive relationship between CEO/Chairman duality and financial performance. Further, (Tan, et al., 2016) found a strong and positive relationship between board size and ROA and ROE. However, (Tan, et al., 2016) found that presence of independent directors is negatively correlated with ROA and ROE. According to (Tan, et al., 2016) the negative correlation between presence of independent directors and ROA and ROE suggests that independent directors do not definitely result in good firm performance. Similar to the findings of (Tan, et al., 2016), results in a study conducted by (Kalsie & Shrivastav, 2016) using the fixed effect model, random effect model and feasible generalized least square (FGLS) regression models, concluded that the board size has a positive and significant relationship on the firm performance.

Further, (Kalsie & Shrivastav, 2016) pointed out that existing literature on board size is based on different theories of corporate governance. While agency theory and resource dependency theory suggest that the board size positively affects performance, stewardship theory favors smaller board size and argues that larger board size negatively relationships the firm performance (Kalsie & Shrivastav, 2016). Similar results in a study by (Yasser, et al., 2014) show a positive relationship between the board size, minority representation in board, and family director's in-board and firm performance. In a study conducted by (Yang & Zhao, 2014), it was revealed that the main argument against CEO duality (or dual leadership) is based on agency theory, which predicts that CEOs, as agents of shareholders, do not always act in the best interests of shareholders. In another study by (Amba, 2014), it was pointed out that CEO duality means that the CEO is also holding a position as a chairman of the board of directors. Agency theorists argue that when a board chairman is also a CEO, he will gain sufficient controlling power to gain more private benefits (Amba, 2014).

The study conducted by (Amba, 2014) examined the influence of corporate governance variables (CEO duality, Chairman of Audit Committee, Proportion of Non-executive Directors, Concentrated Ownership structure, Institutional Investors, Gearing Ratio) on firms' financial performance (Return on Assets) using the firms traded in Bahrain bourse.

In this study, (Amba, 2014) found that CEO duality has a negative relationship on ROA and creates additional agency costs and impairs performance. In this study, (Amba, 2014) found that Board of director being the chair of audit committee has positive effect on performance and contributes to transparent and well audited financial reports. Further in this study, (Amba, 2014) found that proportion of non-executive directors has a negative influence on return on assets (ROA) signaling the higher the proportion of non-executive directors (NED) the lower the firm's financial performance. This indicates the need of optimum proportion of non-executive directors in the board for effective governance and improved financial performance of the firm (Amba, 2014). Furthermore, (Amba, 2014) found that the proportion of institutional ownership in the capital structure positively affects the firm's financial performance. As institutional owners are more concerned about returns on their investments, they are perceived to contribute to effective corporate governance of the firm which enhances firms' financial performance (Amba, 2014).

Finally, (Amba, 2014) found that the gearing ratio is statistically significant to corporate governance with a negative relationship with firms' financial performance. As debt holders control corporations with covenants in their contracts may impair the aggressive strategies of the management in pursuit of financial excellence. In Canada, (Kim & Li, 2021) studied the relationship of ESG practices in corporate finance and found that corporate governance has the most significant and positive influence on financial performance. Another study carried out by (Rossi, et al., 2015) ascertained that corporate governance has a positive relationship with financial performance. The analysis in this study by (Rossi, et al., 2015) reported that a better protection of shareholders (e.g. one share one vote, prohibition of poison pills, etc.), an appropriate composition of the board of directors (in terms of presence of independent directors and internal committees, gender and professional diversity, etc.) and an appropriate remuneration policy (e.g. limits to variable components of remuneration, mechanisms of share retention and lock up, etc.) lead to better financial performance. In Russia, a study conducted by (Koroleva, et al., 2020) established from the results that companies that comply with ESG principles demonstrate significantly better financial performance than other companies. From the results, (Koroleva, et al., 2020) asserted that the governance factor is more strongly related to company performance, thus providing implications for companies' policymakers in terms of the utility of adopting ESG information. In Greece, (Triantafyllidou, 2021) investigated the relationship between the ESG criteria and the financial performance of a company and found a positive correlation only between the governance pillar and financial performance.

However, other studies have found negative or insignificant relationships, suggesting that the relationship is complex and context-dependent. For example, as per the study conducted by (Jordi, et al., 2018), the results suggest that the variables of interest (i.e., ownership dispersion, board members, and dividend) have no significant effect on financial performance (ROE). In Malaysia, (Shakil, et al., 2019) investigated whether environmental, social and governance performance affects the financial performance of banks in a cross – country study of emerging market banks and found that governance performance does not influence financial performance. Another study conducted by (Zahid, et al., 2022) established that ESG has a significantly negative effect on a firm's financial performance as measured by the return on assets (ROA), supporting the trade-off hypothesis in which investing in ESG activities increases the cost of business. However, (Zahid, et al., 2022) reported that ESG has a significantly positive effect on revenue, suggesting that customers are more attracted to firms that invest in ESG. Customers' attraction to firms that invest in ESG fulfils the aim of the stakeholder and legitimacy theories.

The strength and nature of the relationship may depend on various factors, including the specific governance mechanisms implemented, the industry sector, the geographic context, and the time frame considered. For instance, studies have found that the relationship of board independence on financial performance may vary across countries with different legal and institutional environments (Aguilera et al., 2008).

African Perspective

In the African context, research on the relationship between corporate governance practices and financial performance is relatively limited compared to developed regions. However, several studies have explored this relationship within the unique institutional and cultural contexts of African countries.

A study conducted in Egypt by (Shahwan, 2015) found that there was an insignificant relationship between corporate governance practices and financial performance. The analysis in the study by (Shahwan, 2015) reported that the two proxy variables for corporate governance (Ownership concentration and institutional ownership) were unrelated to firm performance. However, leverage as a proxy of financial risk turns out to be positively associated with firm performance (Shahwan, 2015). This result sheds light on the nature of the capital structure of Egyptian firms which heavily rely on debt financing (Shahwan, 2015). To enhance the function of debt as a control device in an emerging economy like Egypt, substantial effort should be directed not only to developing corporate governance practices but also to providing additional legal protection for creditors' interests (Shahwan, 2015). In South Africa, (Kemp, 2014) reported no significant relationships between corporate governance and financial performance. As per the study by (Botchwey, et al., 2022), a significant positive relationship between governance disclosures and financial performance was found. Another study by (Ntim, 2014) examined the relationship of corporate governance practices on the financial performance of South African listed firms. The study found a positive relationship between governance mechanisms, such as board diversity, board size, and ownership concentration, and financial performance metrics like return on assets (ROA) and Tobin's Q, highlighting the importance of effective governance practices in the South African context. In Nigeria, (Mustapha, et al., 2020) investigated the relationship between corporate governance and financial performance of Nigeria listed banks. The study found that the relationship between board independence and ROA is negatively insignificant; board meeting and ROA were found to be negatively significant. Further, (Mustapha, et al., 2020) found that the relationship between board genders, board size and ROA is negatively insignificant while the relationship between firm size and ROA is positively significant. For bank age and ROA, (Mustapha, et al., 2020) found that the relationship was negatively significant. The study by (Mustapha, et al., 2020) highlighted the need for further research to understand the context-specific factors that may influence the effectiveness of corporate governance practices in African countries. In Ghana, (Boachie, 2023) investigated the relationship between corporate governance and financial performance of banks in Ghana with the moderating role of ownership structure. The findings in the study by (Boachie, 2023) reviewed that audit independence, chief executive officer (CEO) duality; non-executive directors and banks size have a positive relationship on financial performance. The findings by (Boachie, 2023) also revealed that foreign ownership has an interacting effect between corporate governance and profitability.

Local (Zambian) Perspective

Research specifically focused on the relationship between corporate governance practices and financial performance in the Zambian context is limited. However, some studies have explored broader governance issues and their implications for businesses operating in Zambia. A research study conducted by (Chikuta, 2020) investigated the effect of corporate governance on the financial performance of state-owned enterprises in Zambia. The corporate governance attributes applied by (Chikuta, 2020) composed of firm size, board size, independent committees and board composition. In this study, (Chikuta, 2020) found that there is a negative relationship between board size, independent committees and board compositions with financial performance of state-owned enterprises (SOEs) in respect to ROA. Contrary to the findings of (Chikuta, 2020), a study conducted by (Milupi, 2023) using fixed effects model and the random effects model found a positive and significant relationship between board independence and financial performance. Agency theory is supported by these results because it argues that the existence of outside independent directors on the board enables the board to monitor any self-interest actions by managers better and reduce agency problems (Milupi, 2023). Further, (Milupi, 2023) found that board gender diversity had a positive and significant relationship with financial performance. This result is an indication that corporate boards should increase number female directors to improve the financial performance (Milupi, 2023). This result also supports the mass theory which concerns the levels of female representatives on board of directors (Milupi, 2023). Furthermore, firm size had a positive and significant relationship with financial performance. The result between firm size and financial performance means that an increase in total assets would also increase the financial performance (Milupi, 2023). In the context of Zambian Breweries Plc, the company has published corporate governance reports outlining its governance structures, policies, and practices, such as board composition, risk management, and stakeholder engagement. However, there is a lack of empirical research specifically examining the relationship between these governance initiatives and the company's financial performance.

## 3. Study methodology

The study adopted a pragmatic research philosophy, emphasizing the use of effective methods to address the research problem related to Environmental, Social, and Governance (ESG) initiatives at Zambian Breweries. A mixed-methods approach was employed, integrating both qualitative and quantitative techniques to enhance the understanding of the complex dynamics between ESG initiatives and profitability. The research design utilized a convergent (concurrent triangulation) framework, collecting qualitative data through interviews with key informants and quantitative data via structured questionnaires and secondary data from annual reports. The target population comprised 266 employees from various departments, with a sample size of 160 for quantitative data and 10 key informants for qualitative insights. Simple random sampling was used for quantitative participants, while purposive sampling targeted individuals with direct experience in ESG practices for qualitative data collection. Data collection involved structured questionnaires and interview guides, with procedures ensuring reliability and validity through pilot studies and statistical tests. Data analysis included thematic analysis for qualitative data and descriptive and inferential statistics for quantitative data, facilitating a comprehensive exploration of the relationship between ESG initiatives and profitability at Zambian Breweries.

## 4. Data presentation and analysis

### 4.1. The relationship of Environmental, Social and Governance (ESG) initiatives and profitability at Zambian Breweries Plc

**Table 1** Model summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.406a | 0.165 | 0.147 | 1.687 |

a. Predictors: (Constant), environmental initiatives, social initiatives, governance initiatives

The values in the table indicate the model's ability to explain the variance in profitability based on environmental, social, and governance initiatives. The R value of 0.406 suggests a moderate positive correlation between the predictors and profitability. The R Square value of 0.165 implies that approximately 16.5% of the variability in profitability can be explained by the combined effects of the environmental, social, and governance initiatives. The Adjusted R Square value of 0.147 is slightly lower, reflecting the adjustment for the number of predictors in the model, which can indicate a reasonable fit but also suggests that a significant portion of the variance remains unexplained. The Std. Error of the Estimate of 1.687 indicates the average distance that the observed values fall from the regression line, denoting some level of prediction error inherent in the model.

**Table 2** Analysis of Variances

| ANOVA[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 79.665 | 3 | 26.555 | 9.326 | 0.000[b] |
| | Residual | 404.335 | 142 | 2.847 | | |
| | Total | 484.000 | 145 | | | |

a. Dependent Variable: Profitability; b. Predictors: (Constant), Environmental initiatives, Social initiatives, Governance initiatives

The results display the analysis of variance for the regression model. The Sum of Squares for Regression is 79.665, while the Residual Sum of Squares is 404.335, leading to a Total Sum of Squares of 484.000. The F-value of 9.326 with a significance level (p-value) of 0.000 indicates that the regression model is statistically significant. This means that the environmental, social, and governance initiatives combined provide a significant improvement in predicting profitability compared to a model without these predictors. The significant result suggests that at least one of the independent variables (initiatives) has a meaningful relationship on profitability.

**Table 3** Regression coefficients

| Coefficientsa | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.393 | 0.909 | | 1.532 | 0.128 |
| | Environmental initiative | 0.018 | 0.123 | 0.011 | .147 | 0.883 |
| | Social initiative | 0.722 | 0.157 | 0.362 | 4.590 | 0.000 |
| | Governance initiative | 0.271 | 0.146 | 0.144 | 1.861 | 0.065 |

a. Dependent Variable: Profitability

The coefficients reflect the individual contributions of each initiative toward predicting profitability. The constant (intercept) is 1.393, indicating the expected profitability when all independent variables are zero, although this scenario might not be realistic. The coefficient for Environmental Initiatives is 0.018, with a t-value of 0.147 and a significance level of 0.883, indicating that environmental initiatives do not significantly contribute to predicting profitability (as the p-value is much greater than 0.05). In contrast, Social Initiatives have a coefficient of 0.722, with a t-value of 4.590 and a significance level of 0.000. This finding strongly suggests that social initiatives significantly improve profitability, demonstrating the highest relationship among the three initiatives analyzed. Lastly, the coefficient for Governance Initiatives is 0.271, showing a t-value of 1.861 and a significance level of 0.065. While this indicates some positive influence on profitability, it is not statistically significant at the 0.05 level but could be considered suggestive of a possible relationship that warrants further investigation.

From the findings, it can be argued that the regression analysis indicates that while social initiatives play a critical role in enhancing profitability, environmental initiatives appear to have negligible effects. Governance initiatives present a potential positively significant relationship, but further scrutiny is necessary to ascertain their significance. These findings highlight the importance of prioritizing social initiatives in corporate strategies aiming to enhance profitability.

**Table 4** Hypothesis testing

| Hypothesis | Coefficient (B) | p-value (Sig.) | Decision |
|---|---|---|---|
| H01 | 0.018 | 0.883 | Fail to Reject Null Hypothesis |
| H02 | 0.722 | 0.000 | Reject Null Hypothesis |
| H03 | 0.271 | 0.065 | Fail to Reject Null Hypothesis (marginally) |

- **H01: Environmental initiatives do not have a strong positive and significant relationship with the profitability of a firm**

Decision: Fail to Reject Null Hypothesis

Explanation: The coefficient for environmental initiatives is 0.018 with a p-value of 0.883, which is significantly higher than the conventional alpha level of 0.05. This indicates that the environmental initiatives do not have a statistically significant positive relationship with the profitability of the firm.

- **H02: Social initiatives do not have a strong positive and significant relationship with the profitability of a firm**

Decision: Reject Null Hypothesis

Explanation: The coefficient for social initiatives is 0.722 with a p-value of 0.000, which is well below the alpha level of 0.05. This strong statistical significance suggests that social initiatives do have a significant positive relationship with the profitability of the firm.

- **H03: Governance initiatives do not have a strong positive and significant relationship with the profitability of a firm**

Decision: Fail to Reject Null Hypothesis (marginally)

Explanation: The coefficient for governance initiatives is 0.271 with a p-value of 0.065. While this p-value is above the 0.05 threshold, it is close enough to suggest a potential positive relationship. However, it does not meet the conventional threshold for statistical significance, indicating that further investigation may be warranted to confirm the relationship. In conclusion, it can be argued that the analysis indicates that social initiatives significantly enhance profitability, while environmental initiatives do not show a significant positive relationship. Governance initiatives are on the verge of significance, suggesting that more research may be needed to fully understand their relationship.

**Table 5** Cronbach's Alpha

| Reliability Statistics | |
|---|---|
| **Cronbach's Alpha** | **N of Items** |
| 0.789 | 3 |

The reliability statistics for the study, as indicated by a Cronbach's Alpha of 0.789 for the three items assessed, demonstrates a strong internal consistency among the measures used to evaluate the Environmental, Social, and Governance (ESG) initiatives in relation to profitability. This value exceeds the commonly accepted threshold of 0.7, suggesting that the items are effectively capturing the underlying constructs of ESG initiatives. Such reliability enhances the credibility of the findings, indicating that the relationship between these initiatives and the profitability of Zambian Breweries is likely to be robust and meaningful. Consequently, the study's conclusions regarding the positive relationship of ESG initiatives on profitability can be considered more reliable and trustworthy, providing a solid foundation for further research and practical implications in the beverage manufacturing sector.

**Table 6** Tests of normality (Environmental initiatives – profitability)

| Tests of Normality | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Environmental Initiative** | **Kolmogorov-Smirnov[a]** | | | **Shapiro-Wilk** | | |
| | | **Statistic** | **Df** | **Sig.** | **Statistic** | **Df** | **Sig.** |
| Profitability | Very Low Extent | 0.000 | 4 | 0.000 | 0.000 | 4 | 0.000 |
| | Low Extent | 0.000 | 12 | 0.000 | 0.000 | 12 | 0.000 |
| | Moderately Low Extent | 0.417 | 12 | 0.000 | 0.608 | 12 | 0.000 |
| | Slightly Low Extent | 0.242 | 20 | 0.003 | 0.822 | 20 | 0.002 |
| | Moderate Extent | 0.370 | 52 | 0.000 | 0.706 | 52 | 0.000 |
| | Slightly High Extent | 0.443 | 14 | 0.000 | 0.576 | 14 | 0.000 |
| | Moderately High Extent | 0.335 | 20 | 0.000 | 0.641 | 20 | 0.000 |
| | Slightly Very High Extent | 0.000 | 6 | 0.000 | 0.000 | 6 | 0.000 |
| | Moderately Very High Extent | 0.000 | 6 | 0.000 | 0.000 | 6 | 0.000 |

a. Lilliefors Significance Correction

The results of the normality tests for the Environmental Initiative indicate significant deviations from normality across various extents of profitability. The Kolmogorov-Smirnov and Shapiro-Wilk tests yielded p-values of 0.000 for multiple categories, suggesting that the distribution of profitability data is not normally distributed. Specifically, the "Moderately Low Extent" and "Moderately High Extent" categories show strong evidence of non-normality, with statistics of 0.417 and 0.335, respectively. This non-normality may relationship the reliability of parametric tests and suggests that the relationship between environmental initiatives and profitability could be influenced by outliers or skewed data distributions. Therefore, non-parametric methods may be more appropriate for further analysis in this context.

**Table 7** Tests of normality (Social initiatives – profitability)

| Tests of Normality | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Social Initiative** | **Kolmogorov-Smirnov[a]** | | | **Shapiro-Wilk** | | |
| | | **Statistic** | **Df** | **Sig.** | **Statistic** | **Df** | **Sig.** |
| Profitability | Low Extent | 0.000 | 4 | 0.000 | 0.000 | 4 | 0.000 |
| | Moderately Low Extent | 0.000 | 4 | 0.000 | 0.000 | 4 | 0.000 |
| | Slightly Low Extent | 0.253 | 66 | 0.000 | 0.845 | 66 | 0.000 |
| | Moderate Extent | 0.299 | 28 | 0.000 | 0.762 | 28 | 0.000 |
| | Slightly High Extent | 0.270 | 28 | 0.000 | 0.784 | 28 | 0.000 |
| | Moderately High Extent | 0.000 | 16 | 0.000 | 0.000 | 16 | 0.000 |

a. Lilliefors Significance Correction

For the Social Initiative, the normality tests also reveal significant departures from normality, particularly in the "Slightly Low Extent" and "Moderate Extent" categories, where the Kolmogorov-Smirnov statistics are 0.253 and 0.299, respectively, both yielding p-values of 0.000. The Shapiro-Wilk test corroborates these findings, with p-values below 0.05, indicating that the profitability data does not conform to a normal distribution. This suggests that the effects of social initiatives on profitability may be subject to variability that is not captured by traditional parametric analysis. As a result, researchers should consider alternative statistical approaches to accurately assess the relationship of social initiatives on profitability.

**Table 8** Tests of normality (Governance initiatives – profitability)

| Tests of Normality | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Governance Initiative** | **Kolmogorov-Smirnov[a]** | | | **Shapiro-Wilk** | | |
| | | **Statistic** | **Df** | **Sig.** | **Statistic** | **Df** | **Sig.** |
| Profitability | Very Low Extent | 0.462 | 16 | 0.000 | 0.546 | 16 | 0.000 |
| | Low Extent | 0.155 | 20 | 0.200* | 0.896 | 20 | 0.035 |
| | Moderately Low Extent | 0.264 | 26 | 0.000 | 0.757 | 26 | 0.000 |
| | Slightly Low Extent | 0.452 | 36 | 0.000 | 0.562 | 36 | 0.000 |
| | Moderate Extent | 0.417 | 12 | 0.000 | 0.608 | 12 | 0.000 |
| | Slightly High Extent | 0.357 | 32 | 0.000 | 0.639 | 32 | 0.000 |
| | Moderately High Extent | 0.000 | 4 | 0.000 | 0.000 | 4 | 0.000 |

*. This is a lower bound of the true significance. a. Lilliefors Significance Correction

The normality tests for the Governance Initiative present a mixed picture. While the "Very Low Extent," "Moderately Low Extent," and "Slightly Low Extent" categories show significant non-normality with p-values of 0.000, the "Low Extent" category presents a p-value of 0.200, indicating a potential normal distribution for that specific range. However, the Shapiro-Wilk test for the same category shows a p-value of 0.035, suggesting some level of deviation. Overall, the consistent non-normality in the majority of categories implies that the profitability data related to governance initiatives may also be affected by skewness or outliers. This further emphasizes the importance of employing non-parametric methods to analyze the relationship between governance initiatives and profitability, as the assumptions of normality are not met in most cases.

**Table 9** Extent of implementation of Environmental initiatives (2021-2023)

| **Initiatives** | **VLE** | **LE** | **MLE** | **SLE** | **ME** | **SHE** | **MHE** | **SVHE** | **MVHE** | **VHE** | **Mean** | **Standard Deviation** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| To what extent do you think energy efficiency/conservation initiatives were from 2021 to 2023 | 0 | 1 | 2 | 4 | 32 | 40 | 38 | 20 | 8 | 1 | 6.60 | 1.38 |
| To what extent do you think water conservation initiatives were implemented from 2021 to 2023 | 4 | 0 | 4 | 66 | 28 | 28 | 16 | 0 | 0 | 0 | 4.79 | 1.26 |
| To what extent do you think carbon emission reduction initiatives were implemented from 2021 to 2023 | 16 | 20 | 26 | 36 | 12 | 32 | 0 | 0 | 0 | 4 | 3.90 | 1.91 |

The data indicates a generally positive perception of energy efficiency initiatives implemented from 2021 to 2023. The highest responses are noted for "Slightly High Extent" (40, mean: 6.38, SD: 1.38) and "Moderately High Extent" (38), suggesting a recognition of these initiatives' effectiveness. In contrast, water conservation initiatives show a pronounced tendency towards slight below average, especially in the "Slightly Low Extent" category (66, mean: 4.79, SD: 1.26), indicating a need for improvement as the mean score is below average and variability indicates difference in scores. However, carbon emission reduction initiatives reveal a more mixed response, particularly "Slightly Low Extent" category (36, mean: 3.06, SD: 1.77), suggesting room for improvement. While there are encouraging signs regarding energy efficiency, water conservation and carbon emission reduction strategies may need to be revisited to enhance their effectiveness.

**Table 10** Extent of implementation of social initiatives (2021-2023)

| Initiatives | **VLE** | **LE** | **MLE** | **SLE** | **ME** | **SHE** | **MHE** | **SVHE** | **MVHE** | **VHE** | **Mean** | **Standard Deviation** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| To what extent do you think employee training and initiatives were implemented from 2021 to 2023 | 0 | 0 | 4 | 16 | 8 | 16 | 44 | 12 | 46 | 0 | 7.52 | 1.76 |
| To what extent do you think community engagement initiatives (e.g., Manja Pamodzi) were implemented from 2021 to 2023 | 0 | 4 | 16 | 34 | 16 | 20 | 44 | 4 | 4 | 4 | 5.69 | 1.82 |
| To what extent do you think responsible marketing initiatives (e.g., smart drinking or responsible drinking campaigns) were implemented from 2021 to 2023 | 4 | 8 | 4 | 50 | 20 | 26 | 14 | 16 | 4 | 0 | 5.28 | 1.86 |

The results reflect a strong commitment to social initiatives over the same period. Particularly noteworthy are employee training and development initiatives, which received substantial support with 46 responses in the "Moderately Very High Extent" category (mean: 7.52, SD: 1.76), suggesting that participants perceive considerable progress. Community engagement initiatives show a positive trend, with significant agreement noted in the "Moderately High Extent" categories (44, mean: 5.28, SD: 1.82), indicating active involvement with the community. Responsible marketing initiatives reveal a more varied response, particularly in the "Slightly Low Extent" category (50, mean: 5.28, SD: 1.86), suggesting ongoing efforts to improve. However, there is also need for further clarity on their relationship. Overall, these social initiatives are viewed favorable, particularly regarding employee training and development.

**Table 11** Extent of implementation of Governance initiatives (2021-2023)

| Initiatives | VLE | LE | MLE | SLE | ME | SHE | MHE | SVHE | MVHE | VHE | Mean | Standard Deviation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| To what extent do you think board diversity and inclusion initiatives were implemented from 2021 to 2023 | 0 | 0 | 4 | 16 | 8 | 16 | 44 | 12 | 46 | 0 | 7.05 | 1.76 |
| To what extent do you think independent board committees were implemented from 2021 to 2023 | 18 | 4 | 20 | 24 | 24 | 40 | 8 | 4 | 4 | 0 | 4.21 | 1.93 |
| To what extent do you think ethical business practices were implemented from 2021 to 2023 | 4 | 12 | 16 | 12 | 0 | 16 | 32 | 14 | 32 | 8 | 6.32 | 2.71 |

The governance initiatives table shows varied levels of implementation and perception. Board diversity and inclusion initiatives received strong support, especially with significant responses in the "Moderately High Extent" (44, mean: 7.05, SD: 1.76) and "Moderately Very High Extent" (46) categories. The effectiveness of independent board committees appears more challenging, with a considerable number indicating "Very Low Extent" to “Moderately Low Extent”, (mean: 4.21, SD: 1.93), revealing potential concerns about governance structures. Meanwhile, ethical business practices enjoy a moderately positive perception, with significant agreement in the "Moderately High Extent (32)" and "Moderately Very High Extent" (32) categories, (mean: 6.32, SD: 2.71) yet still indicating a need for ongoing vigilance. This highlights areas of strength in governance, specifically in board diversity and inclusion as well as ethical business practices, while also pointing out challenges that require attention to enhance overall governance effectiveness.

### 4.2. Trend analysis on the extent of ESG implementation and the profitability of Zambian Breweries Plc (2021 – 2023)

**Table 12** The Extent of implementation of ESG initiatives and profitability (2021-2023)

| Year | Total Assets | Total Income | ROA (%) | Environmental Initiatives | Social Initiatives | Governance Initiatives |
|---|---|---|---|---|---|---|
| 2021 | 3,578,033 | 147,952 | 4.13 | Low | Moderate | Low |
| 2022 | 4,798,734 | 99,248 | 2.07 | Moderate | Low | Moderate |
| 2023 | 5,977,857 | 535,601 | - 8.95 | High | High | Moderate |

This table illustrates the relationship between financial performance, as measured by Return on Assets (ROA), and the varying levels of Environmental, Social, and Governance (ESG) initiatives over the years for Zambian Breweries. Notably, the ROA shows a declining trend from 2021 to 2022, dropping from 4.13% to 2.07%. This decline coincides with moderate environmental initiatives and low social initiatives during this period. However, in 2023, there is a significant shift as the ROA turns negative at -8.95%, despite the company implementing high levels of environmental and social initiatives. This unexpected downturn in financial performance raises questions about the effectiveness of these initiatives in that year. The negative ROA in 2023 suggests that while robust ESG practices are generally associated with improved financial outcomes, other factors may have adversely affected the company's performance during that period. This pattern indicates that while effective ESG initiatives can enhance financial performance, they may not always guarantee positive results, particularly if external challenges or operational issues arise. Further investigation is needed to understand the underlying causes of the negative ROA despite strong ESG commitments.

**Table 13** Environmental initiatives

| Statement | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Mean | Standard Deviation |
|---|---|---|---|---|---|---|---|
| The company effectively manages its waste to minimize environmental degradation. | 4 | 22 | 12 | 50 | 58 | 3.74 | 1.12 |
| The company actively implements resource conservation practices in its operations. | 0 | 12 | 60 | 42 | 32 | 3.16 | 1.03 |
| The company has initiatives in place to reduce pollution from its manufacturing processes. | 0 | 36 | 40 | 54 | 16 | 2.44 | 1.33 |

The company demonstrates a generally positive perception regarding its environmental initiatives, particularly in waste management and compliance with environmental regulations. A significant majority agree or strongly agree that the company effectively manages its waste to minimize environmental degradation (50 Agree, 58 Strongly Agree, mean: 3.74, SD: 1.12). However, there are concerns regarding the implementation of resource conservation practices, as a substantial portion of participants remain neutral (60 Neutral, mean: 3.16, SD: 1.03), indicating a potential need for improved communication or visibility around these efforts. Additionally, the company's initiatives to reduce pollution from manufacturing processes received lower overall support (54 Agree, 16 Strongly Agree, mean: 2.44, SD: 1.33). These results suggest that while environmental initiatives positively affect perceptions of corporate social responsibility, there are areas requiring attention to enhance clarity and effectiveness.

**Table 14** Social initiatives

| Statement | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Mean | Standard Deviation |
|---|---|---|---|---|---|---|---|
| The company actively engages with local communities to address their needs and concerns. | 12 | 22 | 32 | 48 | 32 | 3.24 | 0.97 |
| The company prioritizes employee welfare and satisfaction in its policies. | 8 | 16 | 36 | 60 | 26 | 3.28 | 0.92 |
| The company promotes diversity and inclusion within its workforce. | 0 | 12 | 10 | 48 | 76 | 4.38 | 0.79 |
| The company ensures a safe and healthy working environment for all employees. | 6 | 8 | 20 | 82 | 30 | 3.58 | 0.84 |
| The company contributes to social causes and charitable initiatives. | 6 | 6 | 20 | 46 | 68 | 3.76 | 0.91 |

The social initiatives are generally perceived favorably, with substantial agreement on employee welfare and community engagement. Most participants reacted positively regarding the company's engagement with local communities (48 Agree, 32 Strongly Agree, mean: 3.24, SD: 0.97) and employee welfare (60 Agree, 26 Strongly Agree, mean: 3.28, SD: 0.92), indicating strong alignment between the company's policies and employee satisfaction. The promotion of diversity and inclusion within the workforce receives overwhelming support (48 Agree, 76 Strongly Agree, mean: 4.38, SD: 0.79), showcasing a strong commitment to inclusivity. Despite this positive outlook, there are notably high "Neutral" responses for community engagement and workforce initiatives, suggesting areas where further engagement and clarity may be necessary. Notably, these social initiatives significantly contribute to perceived employee and community relations.

**Table 15** Governance initiatives

| Statement | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Mean | Standard Deviation |
|---|---|---|---|---|---|---|---|
| The company operates with high ethical standards in its business practices. | 0 | 28 | 20 | 66 | 32 | 3.76 | 0.97 |
| The company maintains transparency in its financial reporting and governance practices. | 0 | 0 | 42 | 88 | 16 | 4.10 | 0.64 |
| The company has a diverse board that reflects different perspectives and experiences. | 6 | 6 | 38 | 56 | 40 | 3.74 | 0.88 |
| The company actively engages stakeholders in decision-making processes. | 12 | 12 | 64 | 34 | 24 | 2.92 | 0.92 |
| The company complies with all relevant laws and regulations governing its operations. | 0 | 14 | 42 | 78 | 12 | 3.56 | 0.84 |

The governance initiatives reflect varying levels of confidence among participants. Transparency in financial reporting is viewed very positively, with a majority agreeing (88 Agree, mean: 4.10, SD: 0.64) that the company maintains strong practices in this area. There is also a favorable perception of the company's ethical standards, with 66 participants agreeing that it operates ethically (mean: 3.76, SD: 0.97). However, there is ambivalence regarding stakeholder engagement, as evidenced by 64 participants expressing neutrality (mean: 2.92, SD: 0.92). While the diverse board is rated positively, with 56 participants agreeing (mean: 3.74, SD: 0.88), there remains room for improvement in enhancing stakeholder involvement in decision-making processes. Overall, these findings highlight strengths in governance practices, particularly in transparency and ethics, while indicating areas for further development.

### 4.3. The challenges that Zambian Breweries Plc experiences in implementing Environmental, Social and Governance (ESG) initiatives

**Table 16** Challenges in implementing ESG Initiatives at Zambian Breweries Plc

| Category | Challenge | Frequency | Percent |
|---|---|---|---|
| Environmental | Insufficient knowledge or expertise | 56 | 38.4 |
| | Limited access to sustainable materials | 30 | 20.5 |
| | Resistance from employees or management | 16 | 11.0 |
| | Resistance to change | 44 | 30.1 |
| Social | Difficulty measuring social relationship | 12 | 8.2 |
| | Inadequate stakeholder engagement | 90 | 61.6 |
| | Insufficient knowledge or expertise | 40 | 27.4 |
| | Resistance to change | 4 | 2.7 |
| Governance | Insufficient knowledge or expertise | 32 | 21.9 |
| | Regulatory compliance issues | 62 | 42.5 |
| | Resistance from employees or management | 52 | 35.6 |

The implementation of Environmental, Social, and Governance (ESG) initiatives at Zambian Breweries faces several significant challenges. For environmental initiatives, the primary obstacle is insufficient knowledge or expertise, affecting 38.4% of participants, followed by resistance to change (30.1%) and limited access to sustainable materials (20.5%). In social initiatives, inadequate stakeholder engagement is the most pressing issue, reported by 61.6%, along with insufficient knowledge (27.4%) and difficulties in measuring social relationships (8.2%). Governance challenges are largely centered around regulatory compliance issues (42.5%), resistance from employees or management (35.6%), and a lack of knowledge (21.9%). These findings highlight the need for enhanced knowledge, stakeholder engagement, and a supportive culture to effectively implement ESG initiatives.

#### *4.3.1. Thematic Analysis of the challenges in Implementing ESG Initiatives at Zambian Breweries Plc.*

Given the exploratory nature of the second objective of this study, thematic analysis was conducted on data collected from five (5) key informants with extensive experience in ESG implementation at Zambian Breweries Plc. While the sample size is small, these informants provide deep knowledge, complementing the broader quantitative findings from the larger questionnaire sample.

Knowledge and Expertise Gaps

A prominent theme emerging from the data is insufficient knowledge or expertise, which impedes the effective implementation of ESG initiatives across all three categories. In the environmental sphere, 38.4% of participants cited this as a significant challenge. One key informant stated that, "*There is a clear need for specialized training; without it, our environmental strategies feel half-baked*." (KI-1). In the social context, 27.4% acknowledged a lack of understanding regarding social relationship assessment, emphasizing the need to strengthen capabilities: for instance, another key informant stated that, "*We don't fully grasp our social metrics, making it difficult to convey our relationship to stakeholders*."(KI-3). Similarly, in governance, 21.9% highlighted insufficient knowledge. One of the key informants stated that "*without a solid grasp of governance issues, we risk non-compliance and inefficiency*." (KI-5)

Resistance to Change

Resistance to change is another critical theme, particularly damaging as it can stall progress towards implementing necessary initiatives. In environmental efforts, 30.1% of participants expressed that change is often met with skepticism: One key informant stated that "*Many team members prefer the status quo; we need a shift in mindset to move forward.*" (KI-2). In the social domain, although only 2.7% reported resistance, its presence still suggests that even minimal opposition can significantly relationship initiative adoption. In governance, 35.6% of participants highlighted similar sentiments. Related to these sentiments, one of the key informants stated that "*Executive buy-in is crucial; without it, new governance strategies falter*."(K1-1). This resistance underscores the necessity of cultivating a culture that embraces change and innovation.

Stakeholder Engagement Deficiencies

The lack of adequate stakeholder engagement emerges as a considerable hurdle, particularly in the social context, where 61.6% of participants noted it as a challenge. In line with this, one key informant lamented, "*We're not involving stakeholders early enough; their input is vital for the success of our social initiatives*." (KI-3). This sentiment reflects a broader recognition that effective engagement leads to more relationship outcomes. Addressing this issue is critical, as stakeholders often hold valuable insights and resources that can enhance initiative effectiveness.

Access to Sustainable Resources

Furthermore, the theme of limited access to sustainable materials is relevant in environmental initiatives, cited by 20.5% of participants. In line with this, one key informant stated that, "*Sourcing sustainable materials has been a logistical nightmare; we need more reliable suppliers*." (KI-4). This limitation suggests systemic issues within supply chains that could obstruct the implementation of sustainable practices, highlighting the need for strategic partnerships and better resource management.

Regulatory Compliance Challenges

Finally, regulatory compliance issues stand out in the governance category, with 42.5% of participants reflecting on the difficulties navigating complex compliance requirements. A key informant stated, "*Keeping up with regulatory changes is resource-intensive; we often feel overwhelmed*." (KI-5). This concern illustrates the need for robust frameworks and support systems that can help organizations stay compliant while pursuing their ESG goals.

### 4.4. Recommendations of strategies on how Environmental, Social and Governance (ESG) initiatives could be enhanced for improved profitability of Zambian Breweries Plc

**Table 17** Recommendations of strategies to enhance ESG implementation for improved profitability

| Category | Recommendation | Frequency | Percent |
|---|---|---|---|
| Environmental | Enhance staff training on environmental practices | 62 | 42.5 |
| | Improve waste management practices | 28 | 19.2 |
| | Increase investment in sustainable technologies | 32 | 21.9 |
| | Implement regular environmental audits | 12 | 8.2 |
| | Strengthen partnerships with environmental organizations | 12 | 8.2 |
| Social | Increase community engagement efforts | 52 | 35.6 |
| | Promote diversity and inclusion training | 50 | 34.2 |
| | Collaborate with other stakeholders and organizations | 16 | 11.0 |
| | Enhance employee welfare programs | 16 | 11.0 |
| | Improve health and safety standards | 8 | 5.5 |
| | Foster partnerships with local NGOs | 4 | 2.7 |
| Governance | Increase transparency in decision-making | 56 | 38.4 |
| | Strengthen ethical guidelines and practices | 32 | 21.9 |
| | Conduct deliberate training programs for Board Directors | 28 | 19.2 |
| | Enhance stakeholder engagement processes | 8 | 5.5 |
| | Implement regular governance reviews | 8 | 5.5 |
| | Diversify the board of directors | 6 | 4.1 |

According to the findings in the table above, the following interpretations can be noted; the most significant recommendation is to enhance staff training on environmental practices (42.5%). This indicates a strong belief that increasing knowledge and skills in this area will directly relationship implementation success. Other key recommendations include improving waste management practices (19.2%) and increasing investment in sustainable technologies (21.9%). Together, these recommendations demonstrate a desire for both operational improvements and strategic investments to bolster environmental initiatives.

For social initiatives, a focus on increasing community engagement efforts is paramount (35.6%) suggesting that actively connecting with communities can lead to better profitability. Additionally, promoting diversity and inclusion training (34.2%) reflects the importance placed on creating equitable workplaces. Collaborative efforts with stakeholders (11.0%) and enhancing employee welfare programs (11.0%,) are also recognized as valuable strategies. In governance, increasing transparency in decision-making (38.4%) is highlighted as a critical recommendation, indicating that clarity and openness can lead to stronger governance frameworks and better performance outcomes. Furthermore, strengthening ethical guidelines (21.9%) and conducting training for board directors (19.2%) demonstrate the need for a solid ethical foundation and informed leadership to navigate governance challenges effectively.

### 4.5. Thematic Analysis of the recommendations of strategies for enhancing the implementation of ESG Initiatives for improved profitability at Zambian Breweries Plc

#### *4.5.1. Continuous Staff Development and Training*

A central theme in the environmental recommendations is the importance of staff training, particularly in environmental practices, which garnered 42.5% of responses. In line with this finding, one key informant emphasized by stating; "*Enhancing our team's understanding of environmental issues is crucial; without proper training, our initiatives* *will lack coherence and effectiveness*." (KI-1). This focus on education suggests that developing employees' expertise is regarded as foundational for successful implementation of environmental initiatives.

#### *4.5.2. Enhanced Community and Stakeholder Engagement*

In the social initiatives category, the emphasis on community engagement is a notable theme, with 35.6% advocating for increased efforts in this area. One participant highlighted, "Actively engaging with our community allows us to understand their needs better, ultimately driving our performance." This perspective underscores the belief that strong community ties can lead to improvements in profitability. The recommendation to promote diversity and inclusion training (34.2%) also reflects a commitment towards equitable workplace practices, with one key informant asserting, "*Creating a diverse workforce will not only bring different perspectives but also strengthen our brand image*." (KI-3). On the same premise, another key informant stated "*Actively engaging with our community allows us to understand their needs better, ultimately driving our performance*." (KI-4). The call for collaboration with other stakeholders (11.0%) and enhancing employee welfare programs (11.0%) indicates a holistic approach to social responsibility. A key informant stated, "*Our employees are our greatest asset; investing in their well-being directly translates to improved productivity and company performance."(KI-2)*

#### *4.5.3. Governance through Transparency and Ethics*

The governance recommendations reveal a clear trend towards transparency and ethical practices, with 38.4% advocating for increased transparency in decision-making processes. A key informant articulated, "*When decisions are made transparently, it builds trust among employees and stakeholders, leading to more robust governance*." (KI-5). This focus on transparency is essential for building a trustworthy environment that fosters collaboration and integrity. Strengthening ethical guidelines (21.9%) and conducting deliberate training programs for board directors (19.2%) further emphasizes the necessity of solid ethical foundations for governance. As one key informant pointed out, "*Ethical leadership is paramount; without it, our governance structures lack credibility*." (KI-1) Additionally, the need to enhance stakeholder engagement processes (5.5%) and implement regular governance reviews (5.5%) indicates a recognition of the importance of ongoing dialogue and assessment in governance practices. A key informant summarized this sentiment by stating, "*Regular reviews of our governance practices will help us stay aligned with our goals and ethical commitments*."(KI-3)

#### *4.5.4. Increasing Investments in Sustainable Technology*

Complementary recommendations include increasing investments in sustainable technologies (21.9%). In tandem with this, key informants remarked on this stating, "*Investing in green technologies not only improves our practices but also presents us with a competitive edge in the market.*" (KI-2)

## 5. Discussion

The analysis reveals a moderate positive relationship between ESG initiatives and profitability, with an R value of 0.406 and an R-Square of 0.165, indicating that ESG factors explain 16.5% of profitability variation. The ANOVA results confirm this relationship is statistically significant (p-value = 0.000). While environmental initiatives show a weak and insignificant correlation (Beta = 0.011, p = 0.883), social initiatives demonstrate a strong positive impact on profitability (Beta = 0.362, p = 0.000). Governance initiatives also show a positive relationship (Beta = 0.144, p = 0.065), but not statistically significant. Comparisons with previous studies reveal mixed findings; while some studies indicate negative impacts of ESG on profitability, others align with the positive influence of social initiatives found in this research. Overall, the findings suggest that enhancing social initiatives could be key to improving profitability.

The implementation of ESG initiatives at Zambian Breweries faces significant challenges, primarily insufficient knowledge or expertise, cited by 38.4% of participants, which hampers effective environmental strategies. Resistance to change (30.1%) stems from an ingrained organizational culture that favors the status quo. Additionally, limited access to sustainable materials affects 20.5% of participants, highlighting logistical issues in sourcing. For social initiatives, inadequate stakeholder engagement is a critical challenge (61.6%), emphasizing the need for active involvement in decision-making. Insufficient knowledge regarding social relationship assessment (27.4%) and difficulty measuring social initiatives (8.2%) further complicate implementation. Governance challenges include regulatory compliance issues (42.5%) and resistance from employees (35.6%), indicating a need for enhanced training and communication. Addressing these challenges is essential for successful ESG implementation.

To enhance ESG initiatives and improve profitability, Zambian Breweries should prioritize staff training on environmental practices, supported by 42.5% of participants, as a well-informed workforce is crucial for successful implementation. Recommendations also include improving waste management practices (19.2%) and investing in sustainable technologies (21.9%), which can lead to operational efficiencies and cost savings. For social initiatives, increasing community engagement (35.6%) and promoting diversity and inclusion training (34.2%) are vital for aligning initiatives with societal needs and enhancing brand loyalty. Governance recommendations focus on increasing transparency in decision-making (38.4%) and strengthening ethical guidelines (21.9%), which foster stakeholder trust. Collectively, these strategies create a robust framework that supports operational efficiency, stakeholder engagement, and long-term financial success.

## 6. Conclusion

The study conclusions were as follows:

- The study identified a moderate positive relationship between ESG initiatives and profitability, with social initiatives showing the strongest impact. Environmental and governance initiatives contribute positively but may require more time to yield financial benefits.
- Key challenges include insufficient knowledge and expertise, resistance to change, lack of stakeholder engagement, limited access to sustainable resources, and regulatory compliance issues. Addressing these barriers is crucial for effective ESG implementation at Zambian Breweries Plc.
- Recommendations for enhancing ESG initiatives include continuous staff training, improved community and stakeholder engagement, governance through transparency and ethics, and increased investments in sustainable technology. Implementing these strategies can maximize ESG benefits and mitigate associated challenges.

### *Recommendations*

Based on the research objectives, some of the recommendations included the following:

- Strengthen Waste Management Practices: Develop and implement best practices in waste reduction, recycling, and resource recovery. This will not only reduce environmental relationship but also optimize operational efficiency and yield cost savings.
- Implement Regular Environmental Audits: Establish a framework for conducting regular audits to assess the effectiveness of environmental initiatives. This will help identify areas for improvement and ensure that the company remains aligned with best practices in sustainability.
- Increase Community Engagement Efforts: Strengthening community involvement through social responsibility initiatives, partnerships, and outreach programs will enhance the company’s reputation, build customer loyalty, and contribute to long-term profitability. Direct engagement with local communities can also provide valuable insights into social needs and opportunities for impactful ESG initiatives.
- Conduct deliberate training programs for board of directors: Zambian Breweries Plc should implement targeted training programs for its Board of Directors on ESG governance, ethical leadership, and sustainable business strategies. Equipping board members with ESG knowledge will enhance decision-making, ensure compliance with global sustainability standards, and strengthen corporate governance, ultimately improving long-term profitability and stakeholder trust.

### *Recommendations for future research*

Future research should expand the scope by assessing multiple firms, incorporating alternative profitability indicators, and conducting much longer longitudinal analyses to assess the relationship between ESG and profitability.

## Compliance with ethical standards

### *Disclosure of conflict of interest*

No conflicts of interest to disclose.

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