

Effects of Environmental, Social, and Governance (ESG) Integration on Financial Performance in CIMERWA Limited, Rusizi, Rwanda

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DOI: <https://doi.org/10.5281/zenodo.23032998>

Published Date: 29-September-2026

Abstract: This study examined the effect of Environmental, Social, and Governance (ESG) integration on the financial performance of CIMERWA Ltd in Rusizi, Rwanda. Specifically, the study assessed the effects of environmental, social, and governance practices on the company's financial performance. A mixed-methods research design was employed, combining questionnaire surveys, semi-structured interviews, and document analysis. Data were collected from 138 employees, comprising 85 technical and operational staff who responded to questionnaires and 53 management and administrative staff who participated in interviews. Corporate documents, including annual reports and sustainability disclosures covering 2019–2024, were also reviewed. Quantitative data were analysed using descriptive statistics, correlation, and multiple regression analysis, while qualitative data were analysed thematically. The findings revealed that ESG integration had a significant positive effect on financial performance, with the three ESG dimensions jointly explaining 61.0% of the variation in financial performance ($R^2 = 0.610$, $p < 0.001$). Environmental practices demonstrated a significant positive relationship with financial performance ($r = 0.648$, $p < 0.001$), while social practices also showed a significant positive relationship ($r = 0.648$, $p < 0.001$). Governance practices exhibited the strongest positive association with financial performance ($r = 0.701$, $p < 0.001$). These findings indicate that effective ESG integration can contribute substantially to improved organizational financial performance and long-term sustainability. The study recommends strengthening ESG practices through effective environmental management, socially responsible initiatives, robust governance systems, supportive regulatory frameworks, and responsible investment strategies. The findings provide useful evidence for CIMERWA management, policymakers, regulators, investors, and researchers seeking to promote sustainable industrial performance in Rwanda.

Keywords: Environmental, Social, Governance, Financial Performance, CIMERWA, Rusizi.

1. INTRODUCTION

The global landscape has changed greatly in recent years. Companies no longer focus only on making profits for their shareholders. Instead, they now try to balance earning money with taking care with society and protecting the environment.

This paradigm shift is largely driven by increasing understanding that lasting corporate success is inextricably linked to sustainable development. At the forefront of this movement is the environmental Social and Governance (ESG) framework, which has involved from a niche concern among ethical investors to mainstream strategic imperative for corporations worldwide (Kotsantonis et al., 2019).

The rise of ESG reflects a broader understanding that companies operate within complex ecological and social systems, and that their financial viability depends on the health of these systems (Ndofor & Levitas, 2023). Climate change, vividly demonstrated through extreme weather events and scientific consensus, has placed environmental issues at the top of corporate agendas, increasingly framed as a direct financial risk to assets and operations (Kölbel *et al.*, 2023). Social movements advocating for racial justice, gender equality, and fair labor practices have pushed social considerations into boardroom discussions, with evidence showing such stakeholder pressures lead to concrete changes in corporate diversity reporting and policies (Burbano & Snyder, 2024).

Meanwhile, governance failures at prominent corporations have highlighted the financial risks of weak oversight and unethical leadership. These outside pressures have been turned into official efforts through things like the United Nations SDGs and the Paris Climate Accord, both of which offer structures that guide what companies should do and how they should report on their progress. Creating worldwide reporting guidelines, like the ones created by the GRI and the ISSB, has given us common ways to measure how well companies are doing on sustainability. The establishment of global reporting standards has created common metrics for evaluating corporate sustainability performance, enabling more consistent comparisons across companies and industries, though their implementation remains uneven (Christensen *et al.*, 2023). These findings have not gone unnoticed by the investment community.

According to the latest comprehensive global survey, worldwide sustainable investment funds hit \$30.4 trillion across five major markets in 2022, which made up 36 percent of all assets that are professionally managed in those regions (Global Sustainable Investment Alliance, 2022). Turning to the African continent, the adoption of ESG principles has followed a distinct trajectory shaped by local developmental priorities, governance structures, and economic conditions. Africa faces unique sustainability challenges, including high vulnerability to climate change impacts, significant infrastructure deficits, pressing social needs, and in some contexts, governance weaknesses. These challenges create both imperatives and opportunities for ESG integration. South Africa has emerged as a regional in corporate sustainability, driven in part by the King Codes of Corporate Governance, which explicitly incorporate stakeholder considerations and sustainability reporting requirements. Research on Johannesburg Stock Exchange-listed companies has shown that ESG disclosure and performance can influence cost of capital and market valuation (Moyo, 2021). In Nigeria, studies have highlighted that ESG factors are becoming increasingly critical in the oil and gas sector where environment and social risks are particularly acute, and where community relations directly impact operational continuity (Okere, 2021).

Across East Africa, ESG awareness and implementation have been steadily growing, though with notable variations across countries and sectors. Kenya has demonstrated progressive regulatory approaches, with the Nairobi Securities Exchange issuing ESG disclosure guidelines and the Central Bank of Kenya developing guidance on climate-related financial risks. Research on Kenyan companies has indicated that ESG factors are increasingly influencing investment decisions and lending practices, particularly in the banking and manufacturing sectors (Mwangi & Jerotich, 2022).

Uganda and Tanzania have seen more gradual adoption, often driven by multinational corporations operating in extractive industries and agribusiness, where environmental and social impacts are significant. Efforts at the regional level, including the East African Community's plan to address climate change and its framework for sustainable development, have given additional motivation for companies across the region to adopt sustainability practices (East African Community, 2023). Rwanda's approach to sustainable development stands out in the East African context for its comprehensiveness and high-level political commitment, guided by visionary plans such as Vision 2050 which embeds sustainability and social cohesion into its goal of a high-income economy (Government of Rwanda, 2020).

The operational roadmap is provided by the regularly updated Green grow and climate resilience strategies which has translated into concrete corporate regulations on environmental impact, waste management, and social responsibility (REMA, 2023). The government employs a dual strategy of regulation and incentives including tax benefits for green technologies and corporate recognition programs to drive sustainable business practices (Nsabimana & Nsengiyumva, 2022).

Furthermore, Rwanda's active international engagement, such as through SDG Voluntary National Reviews and regional environmental forums, reinforces its sustainability commitments and raises the bar for corporate conduct (Mugabe & Nkurunziza, 2023). Within this national context, the industrial sector occupies a particularly important position in Rwanda's development strategy, explicitly identified in national policy as a key driver of economic transformation, job creation and export growth (Ministry of Trade and Industry, 2022).

However, this industrial ambition must be reconciled with Rwanda's equally strong commitment to environmental protection and social development, creating a policy landscape that demands sustainable industrialization (REMA, 2023). Cement manufacturing, as a cornerstone of the construction industry essential for infrastructure development, sits precisely at this critical intersection of economic and environmental priorities (Rwanda Development Board, 2023). CIMERWA Ltd, as Rwanda's sole integrated cement producer, therefore operates in a policy environment that simultaneously encourages industrial expansion under frameworks like the National Industrial Policy and demands stringent environmental responsibility as outlined in sectorial regulations (Nsengimana, 2024).

Cement production is globally significant contributor to the environment degradation, responsible for approximately 7-8% of anthropogenic CO₂ emission due to the its energy-intensive clinker production process (Scrivener *et al.*, 2023). Beyond its substantial carbon footprint, the industry imposes considerable local burdens through particulate air emissions, intensive water use, and landscape disruption from limestone quarrying (Miller & Moore, 2022). These impacts render environmental social and governance (ESG) factors ritically material for cement firms

Recent analysis confirms that proactive environmental management, such as adopting alternative fuels and materials, directly reduces operational costs and regulatory risks while addressing investor concerns over carbon intensity (Bosoaga *et al.*, 2022). Concurrently, a firm's social license to operate is heavily dependent on effective community relations and responsible quarry management, which are decisive for project continuity and reputation (Moyo & Mkandawire, 2023). Furthermore, robust governance and transparent sustainability reporting are increasingly linked to Favorable regulatory treatment and access to green financing, underscoring the financial materiality of integrated ESG performance in the sector (Cheng *et al.*, 2024)

Despite the global and regional trends toward ESG integration, and despite Rwanda's progressive policy environment, there remains limited research on how these macro-level developments translate into corporate practice within Rwanda's industrial sector. Recent studies on business sustainability in Rwanda remain concentrated on specific sectors, such as the banking industry (Uwimana & Kansime, 2022) and tourism (Niyigena & Twehwa, 2021), and often frame corporate social responsibility as community-focused philanthropy (Munyaneza & Habimana, 2023).

This leaves the significant gap in understanding how major, environmentally impactful industrial firms particularly in sectors like cement manufacturing are strategically integrating ESG principles to meet the dual national imperatives of industrial growth and environmental protection. Consequently, my study aims to fill that gap by looking at how ESG is being integrated at CIMERWA Ltd. providing insights that are relevant not only for the company itself but for Rwanda's broader industrial development strategy and for understanding ESG implementation in similar emerging economy contexts.

The significance of focusing on CIMERWA extends beyond academic interest. As a strategically important company in Rwanda's development trajectory, CIMERWA's approach to sustainability has implications for multiple stakeholders. For policymakers, understanding how industrial firms respond to sustainability regulations and incentives can inform more effective policy design. For investors, particularly those interested in sustainable development in Africa, CIMERWA's ESG performance offers insights into the risks and opportunities in Rwanda's industrial sector. For other companies in similar industries, CIMERWA's experiences provide valuable lessons about the practical challenges and potential benefits of ESG integration. For civil society and local communities, this research can shed light on how corporate sustainability commitments translate into tangible environmental and social outcomes. The global rise of ESG as a business imperative, Africa's evolving approach to sustainable development, Rwanda's distinctive sustainability-focused development model, and the specific challenges and opportunities facing the cement industry. By examining how these trends converge in the operations of a specific company, the research aims to produce insights that are both contextually rich and theoretically informed, contributing to our understanding of how sustainability principles are implemented in practices in emerging economy industrial settings and what this means for corporate financial performance.

2. METHODOLOGY

2.1 Research Design

This study employed a mixed methods approach, a well –established approach for investigating complex organizational phenomena by collecting both quantitative and qualitative data simultaneously and integrating the findings for a more complete understanding.

2.2 Target Population

The study population was 210 participants divided into two main categories: Management and Administrative Staff and Technical and Operational Staff.

2.3 Sample Size

The sample size of this study was determined using Slovin's formula for a finite population to obtain appropriate number of respondents from total population of 210 employees.

Slovin's Formula is expressed as follow:

$$n = \frac{N}{1+N(e)^2}$$

Where n= sample

N= population

e=sampling error /level of precision=5%

For selecting the sample size of respondents, the researcher used a Slovin's formula as follows

$$n = \frac{210}{1+210(0.05)^2} = 137.7 \sim 138$$

Therefore, the study's sample comprise **138 respondents**

2.4 Data Collection Instruments

This study employed questionnaire and semi-structured interview as the main data collection instruments.

3. RESULTS

3.1 Distribution of the Respondents by Gender

The gender distribution of the respondents was analyzed to describe the demographic characteristics of participants involved in the study. Examining gender composition provides insight into the level of representation of male and female employees within the sample and helps to understand the diversity of perspectives included in the research (Roberson, 2022).

Table 1: Distribution of the respondents by Gender

Gender	Frequency	Percentage (%)
Male	90	68.2
Female	42	31.8
Total	132	100.0

Source: researcher, 2026

The findings presented in Table 1 show that among the 132 respondents who completed the questionnaire, the majority were male employees, accounting for 90 respondents (68.2%), while 42 respondents (31.8%) were female. This indicates that male employees represented a larger proportion of the study participants compared to female employees. The distribution reflects the composition of employees within the selected departments of CIMERWA Ltd, particularly in technical and operational areas where male employees are often more represented.

3.2 Findings from questionnaires

This section presents the quantitative findings obtained from questionnaires administered to the technical and operational staff of CIMERWA Ltd. The questionnaire data were analyzed using inferential statistics techniques, including Pearson correlation analysis, simple linear regression, and hypothesis testing, to examine the effects of environmental, social and governance (ESG) practices integration on the financial performance of CIMERWA Ltd.

3.2.1 Effect of environmental practices integration on the financial performance of CIMERWA Ltd.**Table 2: Participants' Views on Environmental Practices Integration (N=85 Technical and Operational Staff)**

SN	Statement	SD n(%)	D n (%)	N n (%)	A n (%)	SA n(%)	Mean	Stds Deviation
1	Environmental practices (emissions control, energy efficiency, waste handling) are well implemented at CIMERWA Ltd.	2 (2.4%)	5 (5.9%)	8 (9.4%)	42 (49.4%)	28 (32.9%)	4.05	0.89
2	Environmental practices have reduced operational cost through energy efficiency and waste reduction .	3 (3.5%)	7 (8.2%)	10 (11.8%)	39 (45.9%)	26 (30.6%)	3.91	0.97
3	Environmental practices have improved the company's profitability.	4 (4.7%)	8 (9.4%)	12 (14.1%)	38 (44.7%)	23 (27.1%)	3.80	1.01
4	Environmental practices have Enhanced ROA), (ROE) and (ROI)	5 (5.9%)	9 (10.6%)	13 (15.3%)	36 (42.4%)	22 (25.8%)	3.72	1.08
Overall Mean							3.87	0.99

Source: researcher, 2026

Table 2 shows that respondents generally had positive views on environmental practices integration at CIMERWA Ltd. The majority (82.3%) agreed that environmental practices, including emissions control, energy efficiency, and waste handling, are well implemented, while 76.5% confirmed that these practices reduce operational costs through energy efficiency and waste reduction. The overall mean score of 3.87 indicates that respondents agreed that environmental practices contribute to organizational performance.

Furthermore, 71.8% of respondents agreed that environmental practices improve profitability, while 68.2% indicated that they enhance financial indicators such as ROA, ROE, and ROI. These findings suggest that environmental practices support financial performance through improved efficiency and cost reduction, which is consistent with previous studies on ESG practices and firm performance (Broadstock et al., 2021).

3.2.2 effect of social practices integration on the financial performance of CIMERWA Ltd**Table 3: Participants' Views on Social Practices Integration (N=85 Technical and Operational Staff)**

SN	Statement	SD n(%)	D n (%)	N n (%)	A n (%)	SA n(%)	Mean	Stds
1	Social practices (community engagement, employee welfare, local employment) are well implemented at CIMERWA Ltd.	3 (3.5%)	6 (7.1%)	9 (10.6%)	41 (48.2%)	26 (30.6%)	3.95	0.92
2	Social practices have reduced operational disruptions and improved workforce productivity.	4 (4.7%)	7 (8.2%)	11 (12.9%)	39 (45.9%)	24 (28.3%)	3.84	0.99
3	Social practices have improved the company's profitability.	5 (5.9%)	8 (9.4%)	13 (15.3%)	37 (43.5%)	22 (25.9%)	3.74	1.05
4	Social practices have enhanced Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI).	6 (7.1%)	9 (10.6%)	14 (16.5%)	35 (41.2%)	21 (24.6%)	3.66	1.10
Overall Mean							3.80	1.02

Source: researcher, 2026

The findings present respondents' view on social practices integration at CIMERWA Ltd. The findings indicates that respondents generally perceived social practices positively with 78.8% agreeing that social practices such as community engagement employee welfare and local employment are well implemented. Additionally, 74.2% of respondents agreed that social practices reduced operational disruption and improve workforce productivity. The overall mean score of 3.80 suggests that social practices integration contributes positively to organizational performance.

Furthermore, 69.4% of respondents indicated that social practices improve company profitability, while 65.8% agreed that they enhance financial indicators such as ROA, ROE, and ROI. These findings imply that investing in employees and community relationships can support financial performance by improving productivity and maintaining stable operations. This is consistent with recent studies showing that strong social sustainability practices improve employee commitment, stakeholder relationships, and long-term firm performance (Eccles et al., 2021).

3.2.3 Effects of Governance practices integration on the financial performance of CIMERWA Ltd

Table 4: Participants' Views on Governance Practices Integration (N=85 Technical and Operational Staff)

SN	Statements	SD n (%)	D n (%)	N n (%)	A n (%)	SA n (%)	Mean	Std. Deviation
1	Governance practices (transparency, ethical conduct, compliance systems) are well implemented at CIMERWA Ltd.	2 (2.4%)	6 (7.1%)	9 (10.6%)	40 (47.1%)	28 (32.9%)	4.01	0.91
2	Governance practices have reduced legal and regulatory risks for the company.	3 (3.5%)	7 (8.2%)	10 (11.8%)	39 (45.9%)	26 (30.6%)	3.91	0.97
3	Governance practices have improved investor confidence and access to capital.	4 (4.7%)	8 (9.4%)	12 (14.1%)	38 (44.7%)	23 (27.1%)	3.80	1.01
4	Governance practices have enhanced ROA, ROI and ROE	5 (5.9%)	9 (10.6%)	13 (15.3%)	36 (42.4%)	22 (25.8%)	3.72	1.08
Overall Mean							3.86	0.99

Source: researcher, 2026

Table 4 presents respondents' views on governance practices integration at CIMERWA Ltd. The findings show that most respondent's perceived governance practices positively, where 80.0% agreed that governance practices, including transparency, ethical conduct, and compliance systems, are well implemented. Additionally, 76.5% of respondents agreed that governance practices have contributed to reducing legal and regulatory risks. The overall mean score of 3.86 indicates that respondents generally perceived governance practices as important for organizational performance

Furthermore, 71.8% of respondents indicated that governance practices improve investor confidence and access to capital, while 68.2% agreed that they enhance financial performance Indicators such as ROA, ROE and ROI. These findings suggest that effective governance systems strengthen accountability, reduce organizational risk and support financial sustainability (Friede et al.,2021). This is consistent with previous studies showing that strong governance mechanisms improve transparency, stakeholders trust, and corporate financial performance (Broadstock et al.,2021).

4. DISCUSSION OF FINDINGS

The findings indicate that environmental practices, particularly emissions control, energy efficiency, and waste management, were well implemented at CIMERWA Ltd. Respondents associated these practices with improved operational efficiency, reduced resource wastage, and better financial outcomes. Qualitative findings identified environmental efficiency, waste reduction, emissions management, and regulatory compliance as key areas through which environmental practices support organizational performance. Participants emphasized that these practices help reduce production costs, improve energy utilization, minimize waste, and strengthen regulatory compliance. These findings are consistent with Broadstock et al. (2021), who linked environmental sustainability practices to improved organizational performance through efficient resource utilization and cost reduction. Similarly, Friede et al. (2021) emphasized the contribution of environmental responsibility to sustainable financial performance and competitive advantage.

The findings further show that social practices, including employee welfare, occupational health and safety, employee development, and community engagement, contribute to organizational performance at CIMERWA Ltd.

Respondents associated these practices with improved employee welfare, satisfaction, productivity, and relationships with surrounding communities. Interview findings reinforced these observations, indicating that effective social practices enhance employee motivation, organizational commitment, and community relations. These findings are consistent with Broadstock et al. (2021), who associated social sustainability with improved employee engagement and stakeholder relationships, and Eccles et al. (2020), who emphasized the role of social responsibility in creating long-term organizational value.

The findings also indicate that governance practices, particularly transparency, accountability, compliance, internal controls, and risk management, support organizational performance at CIMERWA Ltd. Participants associated effective governance with improved decision-making, efficient resource utilization, reduced organizational risks, and greater stakeholder confidence. Qualitative findings further identified transparency, accountability, regulatory compliance, and risk management as important mechanisms through which governance practices contribute to organizational performance. These findings are consistent with Friede et al. (2021), who highlighted the role of effective governance in strengthening accountability and reducing risks, and Broadstock et al. (2021), who identified governance as an important component of responsible and sustainable business management.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The study concludes that ESG integration has a significant positive effect on the financial performance of CIMERWA Ltd. Environmental practices enhance financial performance through improved operational efficiency, waste reduction, resource optimization, and cost management, while social practices contribute through stronger employee commitment, improved working conditions, productivity, and positive community relations. Governance emerged as the strongest ESG dimension, with effective accountability, transparency, compliance, and risk management supporting sustainable profitability. Overall, the findings indicate that integrating ESG practices into core business operations can strengthen financial performance and promote the long-term sustainability of CIMERWA Ltd.

5.2 Recommendations

CIMERWA Ltd management should strengthen ESG integration by incorporating measurable ESG indicators into strategic planning, operational decision-making, and performance evaluation, supported by regular monitoring and reporting. Government institutions and policymakers should establish supportive regulatory frameworks, incentives, technical guidance, and capacity-building programmes that promote sustainable production, environmental responsibility, corporate accountability, and ESG adoption. Environmental regulatory authorities should strengthen compliance monitoring and collaboration with industries while encouraging cleaner technologies, energy efficiency, emissions reduction, and improved waste management.

Financial institutions and investors should incorporate ESG indicators into financing and investment decisions to encourage responsible and sustainable business practices. Future researchers and academic institutions should undertake longitudinal and comparative studies across industries to provide further evidence on the long-term relationship between ESG integration and organizational performance.

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