



## Article

# ESG Management as a Component of the Competitive Strategy of Commercial Banks

Raimov Mirzokhid Shukhrat ugli<sup>1</sup>

1. *Independent Researcher at Qarshi State University, Head of the Department for Problem Assets Management and Financial Analysis of Credit Institutions, Main Department of the Central Bank of the Republic of Uzbekistan in Kashkadarya, Region Karshi, Uzbekistan*  
Correspondance: [Raimovmirzohid838@gmail.com](mailto:Raimovmirzohid838@gmail.com)

**Abstract:** The article substantiates the transformation of ESG management from a peripheral corporate social responsibility function into a structural element of the competitive strategy of commercial banks. Four transmission channels through which ESG management is converted into a sustainable competitive advantage are identified and systematised: access to international capital, the cost of capital and credit ratings, client-segment differentiation, and regulatory risk management. The empirical part examines the current state of ESG practice in the banking sector of Uzbekistan on the basis of documentary evidence for 2023–2026. It is established that, although individual banks have entered the international sustainable-debt market — including a green and sustainability bond of USD 400 million and UZS 2.25 trillion placed on the London Stock Exchange in July 2024 — ESG management has not yet acquired a systemic character: a national ESG disclosure methodology is absent and aggregate data on the volume of green lending are not collected. The author proposes a four-channel model of ESG-based competitive advantage and a set of managerial recommendations.

**Keywords:** *ESG management, competitive strategy, commercial bank, green finance, sustainable bonds, ESG disclosure, cost of capital, banking management, Uzbekistan.*

**Citation:** Shukhrat ugli R. M.. ESG Management as a Component of the Competitive Strategy of Commercial Banks. American Journal of Economics and Business Management 2026, 9(9), 730-736.  
Received: 10<sup>th</sup> Jan 2026  
Revised: 11<sup>th</sup> Jan 2026  
Accepted: 11<sup>th</sup> Jan 2026  
Published: 20<sup>th</sup> Sept 2026



**Copyright:** © 2026 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

## 1. Introduction

For most of the past two decades, environmental, social and governance (ESG) considerations were treated by banks as a reputational supplement to their core business — a matter of philanthropy, public relations and voluntary disclosure. Over the last five years this position has changed fundamentally. ESG factors have become an instrument through which access to funding, the cost of capital and the composition of the client base are determined, and therefore an object of strategic management rather than of communication policy.

The scale of the shift is illustrated by market data. According to the Climate Bonds Initiative, cumulative aligned issuance of green, social, sustainability and sustainability-linked (GSS+) debt reached USD 6.8 trillion by the end of 2025, of which green bonds accounted for USD 4 trillion; annual aligned issuance exceeded USD 1 trillion for the third consecutive year, and more than 400 new issuers entered the market during 2025 alone [1]. In parallel, more than 350 banks representing approximately half of global banking assets have become signatories to the United Nations Principles for Responsible Banking [2]. A

financial institution that remains outside this framework increasingly faces a narrower funding universe rather than merely a weaker public image.

For Uzbekistan the question has an additional dimension. The country's green transition is estimated to require annual investment equivalent to 8–10 per cent of GDP, while mitigation and adaptation needs are assessed at USD 33.7 billion and USD 15.7 billion respectively by 2030 [3], [4], [5]. Demand of this magnitude cannot be met from budgetary sources alone, which places commercial banks at the centre of the resource-mobilisation process. At the same time, the national banking sector, comprising 34 commercial banks with total assets of UZS 932.3 trillion as of 1 April 2026 [6], is only beginning to build the managerial infrastructure required for this role.

The theoretical foundation of the topic rests on stakeholder theory, which holds that the long-term value of a firm depends on its ability to balance the interests of all groups affected by its activities [7], on the concept of shared value developed by M. Porter and M. Kramer, which treats the resolution of social and environmental problems as a source of innovation and market expansion rather than as a cost [8], and on the triple bottom line introduced by J. Elkington [9]. Empirically, the meta-study of G. Friede, T. Busch and A. Bassen aggregated more than 2 000 primary studies and found that approximately 90 per cent report a non-negative relationship between ESG criteria and corporate financial performance [10]; for the banking sector, however, M. Cantero-Saiz and co-authors, analysing 159 banks from 42 countries over 2018–2023, establish that this effect is moderated by the sustainability level of the country, so that in less mature institutional contexts higher ESG scores are initially associated with lower profitability [11]. In the national literature the subject is examined predominantly through green finance instruments rather than bank management [12], while institutional assessments note that, in the absence of disclosure requirements, the green share of bank lending in Uzbekistan cannot be estimated [3]. Existing work therefore addresses either the macro-level architecture of green finance or the statistical relationship between ESG ratings and financial indicators, leaving the intermediate managerial level — the mechanism by which a bank converts ESG activity into a competitive position — insufficiently formalised. The present study is directed at this gap.

The aim of this study is to substantiate ESG management as a component of the competitive strategy of commercial banks and to identify the mechanisms through which it is converted into a competitive advantage under the conditions of a transition economy. The following tasks were set: to generalise theoretical approaches to the relationship between ESG performance and bank competitiveness; to formalise the transmission channels linking the two; and to assess the current state of ESG practice in the banking sector of Uzbekistan.

## 2. Materials And Methods

The study employs a qualitative-analytical design combining documentary analysis, comparative analysis and the case-study method. The evidence base comprises market statistics of the Climate Bonds Initiative, materials of the UNEP Finance Initiative, analytical reports of the OECD, UNDP and the Global Green Growth Institute, EBRD project documentation, official disclosures of commercial banks of Uzbekistan and statistical data of the Central Bank. The observation period covers 2023–2026.

Methodologically, the analysis proceeds in three stages. At the first stage, theoretical propositions on the ESG–competitiveness relationship are generalised and the transmission channels are formulated deductively. At the second stage, each channel is tested against documented evidence from the banking sector of Uzbekistan. At the third stage, the gap between the potential and the realised use of each channel is assessed, and recommendations are derived. Given the absence of a national ESG rating and of aggregated green-lending statistics, quantitative modelling was not applied; the results

constitute an analytical framework supported by documentary evidence rather than an econometric estimation.

### 3. Results

**1. The global context of the ESG transition in banking.** The quantitative parameters of the market within which banks now compete for sustainable funding are presented in Table 1.

Table 1

**Key parameters of the global sustainable debt market and responsible banking, 2025<sup>1</sup>**

| Indicator                                             | Value               | Source                   |
|-------------------------------------------------------|---------------------|--------------------------|
| Cumulative aligned GSS+ debt issuance                 | USD 6.8 trillion    | Climate Bonds Initiative |
| Cumulative green bond issuance                        | USD 4.0 trillion    | Climate Bonds Initiative |
| Green bond issuance in 2025                           | USD 653.5 billion   | Climate Bonds Initiative |
| Sustainability bond issuance in 2025                  | USD 217.3 billion   | Climate Bonds Initiative |
| New issuers entering the market in 2025               | more than 400       | Climate Bonds Initiative |
| Signatories of the Principles for Responsible Banking | more than 350 banks | UNEP FI                  |
| Share of global banking assets covered by the PRB     | approx. 50 per cent | UNEP FI                  |

These figures indicate that sustainable finance has ceased to be a niche segment. When half of global banking assets are managed under a common responsible-banking framework, ESG compliance becomes a condition of participation in international interbank and capital-market relations rather than a discretionary strategic option.

**2. Transmission channels from ESG management to competitive advantage.** Systematisation of the theoretical and empirical evidence permits the identification of four channels through which ESG management is converted into a bank's competitive position (Table 2).

Table 2

**Channels of transformation of ESG management into a competitive advantage of a bank<sup>2</sup>**

| №  | Channel                           | Mechanism of action                                                                                                                                                                                                      | Managerial object                                                               |
|----|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| I  | Access to international capital   | Development finance institutions and international investors make funding conditional on an ESG framework, a second party opinion and impact reporting; their absence excludes the bank from the sustainable-debt market | ESG framework, taxonomy of eligible assets, impact reporting system             |
| II | Cost of capital and credit rating | ESG factors are incorporated into the methodologies of rating agencies and into investor pricing; a weak ESG profile raises the risk premium and thereby the cost of borrowed resources                                  | Governance quality, transparency, climate risk assessment in the credit process |

<sup>1</sup> Compiled by the author on the basis of Climate Bonds Initiative, "Sustainable Debt Market Nears USD 7 Trillion in Aligned Issuance" (2026), and UNEP Finance Initiative, "Principles for Responsible Banking".

<sup>2</sup> Developed by the author.

|     |                                |                                                                                                                                                                                              |                                                                       |
|-----|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| III | Client-segment differentiation | Large corporate borrowers with export orientation and younger retail segments increasingly select counterparties by sustainability criteria, which creates a differentiation-based advantage | Green product line, client ESG screening, marketing positioning       |
| IV  | Regulatory risk management     | Transition to mandatory sustainability disclosure converts ESG into a compliance requirement; early adopters bear lower adjustment costs than late followers                                 | Non-financial reporting system, internal ESG policy, staff competence |

The essential feature of this model is that none of the four channels operates automatically. Each requires a specific managerial decision — the adoption of an internal ESG policy, the redesign of the credit process to incorporate climate risk, the creation of a reporting function, the training of personnel. ESG management is therefore not a declaration of values but an organisational capability that has to be built.

**3. The state of ESG practice in the banking sector of Uzbekistan.** Documented evidence for 2023–2026 shows that individual banks have already activated the first channel, while the remaining three are used only fragmentarily (Table 3).

Table 3

**Documented evidence of ESG activity in the banking sector of Uzbekistan, 2023–2026<sup>3</sup>**

| Date          | Institution                                           | Content of the event                                                                                                                                                                                                | Channel involved       |
|---------------|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| October 2023  | Government of Uzbekistan                              | Placement of the first sovereign green Eurobonds in the CIS on the London Stock Exchange, UZS 4.25 trillion, financing water-saving technologies, rail and metro transport, sanitation and protective forestry [13] | I — market benchmark   |
| December 2023 | World Bank / Government                               | Publication of the Guidance Note on the Uzbekistan Green Taxonomy, establishing the classification basis for green assets [14]                                                                                      | I, IV — infrastructure |
| July 2024     | SQB                                                   | Issuance of a green and sustainability bond of USD 400 million and UZS 2.25 trillion on the London Stock Exchange under the ICMA Harmonised Framework, with a second party opinion by Sustainable Fitch [15]        | I, II                  |
| July 2025     | SQB                                                   | First-year allocation and impact report: 30 financed projects, annual energy savings of 121.4 thousand MWhe and emission reductions of 16.2 thousand tonnes of CO <sub>2</sub> [15]                                 | I, III                 |
| December 2025 | Kapitalbank, NBU, SQB, BDB, Turonbank, Ipak Yuli Bank | Participation in the green banking and ESG integration training programme of the Global Green Growth Institute, preceded by a survey of institutional ESG capacity [4]                                              | IV — competence        |

<sup>3</sup>Compiled by the author on the basis of UNDP, “Green Development Finance Assessment for the Republic of Uzbekistan” (2026); UNDP press release on Uzbekistan’s first green sovereign Eurobonds (2023); World Bank, “Guidance Note on Uzbekistan Green Taxonomy” (2023); GGGI, “SQB Publishes the First-Year Results of the Green and Sustainable Bond” (2025) and “Uzbek Banks Receive Green Banking and ESG Integration Training” (2025); EBRD, “EBRD Supports Green Lending in Uzbekistan” (2025); JSCB Kapitalbank, “Sustainability Report 2024”.

|               |            |                                                                                                                                              |        |
|---------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------|--------|
| December 2025 | Hamkorbank | Loan agreement with the EBRD for up to USD 30 million under the GEFF II programme for energy-efficiency lending to MSMEs and households [16] | I, III |
|---------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------|--------|

Three conclusions follow from Table 3. First, ESG activity in the banking sector of Uzbekistan is at present externally driven: it is initiated primarily by international financial institutions and by state policy rather than by competitive pressure among banks themselves. Second, the participating institutions are predominantly the larger banks with existing international exposure, which means that ESG capability is becoming an additional source of stratification within the sector. Third, and most importantly, no national methodology for ESG disclosure by banks has yet been introduced, and aggregated statistics on the volume of green lending are not collected — a gap explicitly recorded in the UNDP assessment [3]. In the absence of comparable data, ESG performance cannot be used as a competitive signal, since neither clients nor investors are able to verify it.

#### 4. Discussion

The results support the proposition that ESG management should be positioned within the strategic rather than the communication function of a bank. At the same time, the finding of Cantero-Saiz et al. imposes a necessary qualification: in countries with a low or moderate level of national sustainability, ESG investment initially reduces profitability, and the relationship becomes positive only as the institutional context matures [11]. For Uzbek banks this implies a specific managerial consequence — ESG initiatives should be assessed by criteria of access to funding and of risk reduction over a horizon of five to seven years, and not by their contribution to current-year return on assets. Evaluation of ESG programmes by short-term profitability will predictably lead to their curtailment before the transmission channels become effective.

A second consideration concerns the risk of greenwashing. Where disclosure is voluntary and unverified, the incentive to declare rather than to implement is strong, and the consequence is the devaluation of the ESG signal for the entire sector. The practice of obtaining an independent second party opinion, applied in the SQB issuance [15], is therefore not a formality but the mechanism that preserves the informational value of the signal. Extending this practice to domestic instruments would be a proportionate response.

The study is subject to limitations. The analysis is documentary and qualitative; the absence of a national ESG rating and of a green-lending statistical series precluded econometric verification of the proposed channels. As soon as ISSB-based disclosure generates a comparable data series — realistically from 2027–2028 — the model can be tested quantitatively, for example by estimating the relationship between disclosure quality and the cost of borrowed funds.

#### 5. Conclusion

The study permits the following conclusions. ESG management has changed its economic nature: from a discretionary expenditure it has become a condition of access to international funding and consequently an element of the competitive strategy of a bank. This transformation operates through four identifiable channels — access to international capital, the cost of capital and credit rating, client-segment differentiation, and regulatory risk management — each of which requires a distinct managerial decision. In the banking sector of Uzbekistan the first channel has been activated by individual large banks, whereas the remaining three are used fragmentarily, and the absence of a national ESG

disclosure methodology prevents ESG performance from functioning as a verifiable competitive signal.

On this basis the following recommendations are proposed:

1. to develop, under the auspices of the Central Bank, a unified methodology for ESG disclosure by commercial banks, harmonised with the ISSB standards that entered into force for state-owned enterprises on 1 January 2026, and to introduce it for the whole sector on a phased basis;
2. to introduce mandatory statistical reporting on the volume and structure of green lending on the basis of the national green taxonomy, thereby eliminating the data gap that at present makes the segment unmeasurable;
3. to include ESG indicators in the system of key performance indicators of bank management, assigning them a horizon of assessment of not less than five years in view of the delayed effect established in the empirical literature;
4. to establish within banks a dedicated ESG function with authority over the credit process, rather than to assign ESG responsibilities to marketing or public-relations units, since three of the four transmission channels operate through credit and reporting procedures;
5. to extend the practice of obtaining an independent second party opinion, already applied to international placements, to domestic green financial instruments, in order to protect the credibility of the ESG signal within the national market.

## REFERENCES

- [1] Climate Bonds Initiative, "Sustainable debt market nears USD 7 trillion in aligned issuance," Climate Bonds Initiative, London, U.K., Mar. 17, 2026. [Online]. Available: <https://www.climatebonds.net>
- [2] United Nations Environment Programme Finance Initiative, "Principles for responsible banking," UNEP FI, Geneva, Switzerland. [Online]. Available: <https://www.unepfi.org/banking/bankingprinciples>
- [3] United Nations Development Programme, "Green development finance assessment for the Republic of Uzbekistan," UNDP, New York, NY, USA, 2026.
- [4] Global Green Growth Institute, "Uzbek banks receive green banking and ESG integration training," GGGI, Seoul, South Korea, Dec. 10, 2025. [Online]. Available: <https://gggi.org>
- [5] Organisation for Economic Co-operation and Development, *Financing Uzbekistan's Green Transition*. Paris, France: OECD Publishing, 2025.
- [6] Center for Economic Research and Reforms, "Bank activity index: The rating was updated following the results of the first quarter of 2026," CERR, Tashkent, Uzbekistan, 2026. [Online]. Available: <https://review.uz>
- [7] R. E. Freeman, *Strategic Management: A Stakeholder Approach*. Boston, MA, USA: Pitman, 1984.
- [8] M. E. Porter and M. R. Kramer, "Creating shared value," *Harvard Business Review*, vol. 89, no. 1–2, pp. 62–77, 2011.
- [9] J. Elkington, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. Oxford, U.K.: Capstone, 1997.
- [10] G. Friede, T. Busch, and A. Bassen, "ESG and financial performance: Aggregated evidence from more than 2000 empirical studies," *Journal of Sustainable Finance & Investment*, vol. 5, no. 4, pp. 210–233, 2015.
- [11] M. Cantero-Saiz, S. Sanfilippo-Azofra, B. Torre-Olmo, and V. Bringas-Fernández, "ESG and bank profitability: The moderating role of country sustainability in developing and developed economies," *Green Finance*, vol. 7, no. 2, pp. 288–320, 2025.
- [12] D. A. Sarjanova, "Advancing the green finance ecosystem in Uzbekistan: Opportunities, policy innovations, and future directions," *Pioneering Studies and Theories*, vol. 1, no. 7, pp. 35–40, 2025.
- [13] United Nations Development Programme, "Uzbekistan issues first ever green sovereign Eurobonds worth UZS 4.25 trillion on the London Stock Exchange," UNDP Uzbekistan, Tashkent, Uzbekistan, 2023. [Online]. Available: <https://www.undp.org/uzbekistan>
- [14] World Bank Group, "Guidance note on Uzbekistan green taxonomy," World Bank, Washington, DC, USA, Dec. 2023.

- 
- [15] Global Green Growth Institute, "SQB publishes the first-year results of the green and sustainable bond," GGGI, Seoul, South Korea, 2025. [Online]. Available: <https://gggi.org>
- [16] European Bank for Reconstruction and Development, "EBRD supports green lending in Uzbekistan," EBRD, London, U.K., Dec. 29, 2025. [Online]. Available: <https://www.ebrd.com>
- [17] JSCB Kapitalbank, "Sustainability report 2024," Tashkent, Uzbekistan, 2025. [Online]. Available: <https://kapitalbank.uz/en/esg>