
Stakeholder perceptions and the influence on sustainability practices in the UK Banking Sector

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Abstract:

The banking sector in the United Kingdom is at a crossroads, where traditional financial operations are increasingly being scrutinized through the lens of sustainability. This research therefore explored how stakeholders viewed the sustainability efforts of UK banks and whether these perceptions significantly influenced actual practices. A sample of 191 respondents was randomly selected from a population of 2.5 million. Data were gathered using a structured questionnaire and analyzed with mean scores, standard deviations, and T-tests. The instrument showed strong reliability. Ethical guidelines were strictly followed, ensuring informed consent and confidentiality. The study revealed that most stakeholders agreed UK banks are transparent, involve stakeholders in sustainability strategies, prioritize sustainable investments, and communicate initiatives clearly. However, they disagreed that banks would sacrifice financial returns for sustainability. These perceptions suggest that while sustainability is acknowledged, profit still dominates decision-making. A t-test analysis showed no significant influence of stakeholder perception on sustainability practices, supporting the null hypothesis. This implies that although stakeholders view sustainability positively, their perceptions do not substantially impact how banks implement these practices. The findings highlight a potential gap between stakeholder expectations and actual sustainability-driven actions in the UK banking sector. The study concluded that although stakeholders held mostly positive views, these perceptions did not significantly drive sustainability actions within the sector.

Keywords: stakeholder perceptions, sustainability practices, UK banking sector, social responsibility, financial returns.

Abstrak :

Sektor perbankan di Inggris berada di persimpangan jalan, di mana operasi keuangan tradisional semakin disorot melalui lensa keberlanjutan. Oleh karena itu, penelitian ini mengeksplorasi bagaimana para pemangku kepentingan memandang upaya-upaya keberlanjutan bank-bank di Inggris dan apakah persepsi ini secara signifikan memengaruhi praktik-praktik aktual. Sampel sebanyak 191 responden dipilih secara acak dari populasi sebesar 2,5 juta. Data dikumpulkan dengan menggunakan kuesioner terstruktur dan dianalisis dengan skor rata-rata, standar deviasi, dan uji T. Instrumen ini menunjukkan keandalan yang kuat. Pedoman etika diikuti dengan ketat, memastikan persetujuan dan kerahasiaan. Studi ini mengungkapkan bahwa sebagian besar pemangku kepentingan setuju bahwa bank-bank di Inggris transparan, melibatkan para pemangku kepentingan dalam strategi keberlanjutan, memprioritaskan investasi berkelanjutan, dan mengkomunikasikan inisiatif dengan jelas. Namun, mereka tidak setuju bahwa bank-bank akan mengorbankan keuntungan finansial demi keberlanjutan. Persepsi ini menunjukkan bahwa meskipun keberlanjutan diakui, keuntungan masih mendominasi pengambilan keputusan. Analisis uji-t menunjukkan tidak ada pengaruh signifikan dari persepsi pemangku kepentingan terhadap praktik keberlanjutan, yang mendukung hipotesis nol. Hal ini mengimplikasikan bahwa meskipun para pemangku kepentingan memandang keberlanjutan secara positif, persepsi mereka tidak secara substansial mempengaruhi bagaimana bank menerapkan praktik-praktik ini. Temuan ini menyoroti potensi kesenjangan antara ekspektasi pemangku kepentingan dan tindakan yang didorong oleh keberlanjutan di sektor perbankan Inggris. Studi ini

menyimpulkan bahwa meskipun para pemangku kepentingan memiliki pandangan yang sebagian besar positif, persepsi ini tidak secara signifikan mendorong tindakan keberlanjutan di sektor ini..

Kata Kunci: *persepsi pemangku kepentingan, praktik keberlanjutan, sektor perbankan Inggris, tanggung jawab sosial, keuntungan finansial.*

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INTRODUCTION

The banking sector plays a pivotal role in shaping sustainable development by influencing resource allocation, financial flows, and investments. As financial intermediaries, banks are in a unique position to impact societal development, and sustainability practices are increasingly becoming a focal point in their operations. Ekemezie and Anyachebelu (2024) posits that sustainability is the ability to meet current needs without compromising the ability of future generations to meet their own. Sustainability in banking refers to the integration of environmental, social, and governance (ESG) factors into banking operations, which aligns financial goals with long-term societal and environmental benefits (Yuen et al, 2022). Stakeholders, including customers, investors, regulators, and employees, significantly influence these practices. In the UK, banks have long been seen as financial engines driving economic growth, but with the growing emphasis on corporate social responsibility, stakeholder perceptions now play an essential role in shaping sustainability agendas.

Stakeholders' views on sustainability vary based on their interests, values, and level of involvement in the banking sector. Stakeholders include not only shareholders but also customers, employees, policymakers, and the communities in which banks operate. Customers, for instance, are increasingly concerned with how banks manage social responsibility and the environmental impact of their operations (Gonzalez-Ruiz et al, 2024). These stakeholders' preferences have led banks to address not just profit maximization but also the broader impacts of their operations on the environment and society. Investors, another key group of stakeholders, are becoming more conscious of sustainability due to the rise of socially responsible investing (SRI). Investors are increasingly seeking opportunities that align with sustainable and ethical business practices, including those in the banking sector. In response, UK banks have been integrating ESG factors into their investment portfolios and lending decisions to cater to these investors' preferences (Lalthanliana et al, 2024). The importance of sustainability from a financial perspective is thus intertwined with investors' growing expectations that banks align with global sustainability goals.

Regulators, such as the Bank of England, also play an influential role in shaping sustainability practices. With the UK being a leader in adopting climate-related financial disclosures and regulations, regulators hold banks accountable for their sustainability practices. They enforce rules that require banks to assess and disclose the environmental risks inherent in their portfolios, which directly influences their sustainability strategies (Kulińska-Sadłocha, 2022). Stakeholder perceptions of sustainability significantly influence how banks develop and implement their sustainability practices. For instance, if stakeholders perceive that sustainability is a key driver of the bank's value proposition, they are more likely to support and invest in sustainability initiatives. UK banks that prioritize sustainable investments over traditional profit-driven decisions often gain greater customer loyalty and attract more socially conscious investors. The integration of sustainability practices into banks' core strategies reflects a proactive approach to meeting the expectations of these stakeholders, thereby improving financial performance in the long run (Hristov & Appolloni, 2022).

The influence of stakeholders is also evident in the way banks engage in social responsibility initiatives. UK banks that are transparent regarding their sustainability efforts, such as the implementation of green financing products or ethical lending policies, often receive positive feedback from stakeholders. This transparency fosters trust and credibility, which are crucial for sustaining long-term relationships with customers and investors (Agu et al, 2024). Involving stakeholders in the development and implementation of sustainability strategies will help banks to ensure that their practices align with stakeholder expectations, leading to enhanced corporate reputation and customer satisfaction.

However, the influence of stakeholder perspectives is not always unequivocally positive. Some stakeholders, particularly those focused solely on financial returns, may view sustainability initiatives as a threat to profitability. In cases where banks prioritize environmental or social goals

at the expense of financial performance, stakeholders may perceive this as a sign of inefficiency or poor management (Al-Amosh et al, 2023). This divergence in perceptions can create tension between stakeholders and banks, leading to challenges in aligning sustainability goals with profitability.

Moreover, stakeholder influence can be seen in regulatory compliance. As governments and regulators tighten regulations on climate-related risks and ESG disclosures, banks are compelled to adopt sustainability practices to ensure compliance. In this regard, the perception of regulatory bodies has been a strong motivator for banks to integrate sustainability into their operations (Bouteraa et al, 2023). Banks that fail to meet regulatory standards risk reputational damage and financial penalties, which could significantly impact their business performance. Despite the growing influence of stakeholder perceptions on sustainability practices, several challenges remain in integrating these views into banking operations. One of the key challenges is the potential conflict between sustainability goals and short-term financial returns (Gerlich, 2023). Stakeholders with a short-term focus may resist sustainability practices that are perceived to negatively affect immediate profitability. This resistance can slow the pace of sustainable transformation in banks.

Another challenge is the lack of a standardized framework for measuring and reporting sustainability performance. While stakeholders increasingly expect banks to report on their sustainability efforts, the absence of universal metrics or guidelines makes it difficult for banks to accurately communicate their progress in a way that meets the expectations of all stakeholders (Sanyaolu et al, 2023). Stakeholders' perceptions of sustainability practices in the UK banking sector remain a critical yet underexplored aspect in understanding how these practices are developed and implemented. Although stakeholder pressure has pushed banks to integrate sustainability into their operations, the lack of clarity on how these perceptions influence actual practices poses a challenge. The influence of stakeholder perspectives on sustainability practices has not been adequately quantified, which makes it difficult to understand how these perceptions shape the long-term sustainability strategies of banks. Hence the need for the present study.

RESEARCH METHODOLOGY

The study adopted an online survey research method. This approach was chosen for its practical benefits. It allowed for automated distribution of questions and collection of responses, which helped reduce data entry errors and eliminated the need for manual data handling. The research focused on the United Kingdom, a sovereign country made up of England, Scotland, Wales, and Northern Ireland. With a long history of global influence in politics, trade, and culture, the UK operates under a constitutional monarchy and a parliamentary democracy. London, the capital, is not only a political center but also a major financial hub. The UK banking sector, one of the most developed in the world, was the primary area of focus. It includes a variety of institutions such as retail banks, investment banks, private banks, and building societies. Despite the sector's global significance, sustainability practices had received limited attention. The industry is regulated by bodies tasked with ensuring financial stability and consumer protection, especially after the global financial crisis of 2008 prompted regulatory reforms.

The study population consisted of approximately 2.5 million stakeholders in the UK banking sector. From this population, a simple random sampling technique was used to select 191 respondents. This method ensured that each stakeholder had an equal chance of being chosen, thereby reducing the risk of bias in the selection process. Data were collected using an online questionnaire, which was divided into two sections. Section A collected personal information about the respondents, while Section B was divided into four parts. These parts explored various aspects, including firm-level and national-level factors influencing sustainability practices, stakeholders'

perceptions of sustainability, and the reasons behind these perceptions. The questionnaire used a four-point rating scale: Strongly Agree, Agree, Disagree, and Strongly Disagree.

Before data collection, efforts were made to ensure the questionnaire was both reliable and valid. Reliability referred to how consistently the tool measured what it intended to, while validity assessed whether it measured the right concepts. A Cronbach alpha coefficient of 0.81 was recorded, showing that the instrument had strong internal consistency. To further ensure the quality of the tool, the questions were carefully reviewed by both the researcher and supervisor to avoid bias and ensure clarity. The data collection process lasted about a month. Each respondent received a link to the survey, which was administered through the JISC online platform. This allowed participants to respond at their convenience and ensured a broad reach. For data analysis, mean scores were calculated to summarize the general views of respondents, and standard deviations were used to assess the spread of responses. A mean score of 2.50 or higher indicated agreement among respondents, while scores below this threshold suggested disagreement. Hypotheses were tested using a T-test. When the calculated t-value was less than 1.64, the null hypothesis was accepted, indicating no significant difference in views. When the t-value exceeded 4.05, the null hypothesis was rejected, showing significant differences in opinion.

Ethical considerations were strictly followed. All procedures complied with the University of Northampton's ethical requirements. Participants gave informed consent, and the study ensured confidentiality and transparency throughout the research process. Any potential socio-cultural issues or biases were addressed proactively. Respondents were fully briefed on the study's goals, and they understood that their input was for academic purposes only.

DISCUSSION

Research Question

How do the stakeholders of the UK banks perceive sustainability practices in the banking sector?

Table 1: Mean Responses and Standard Deviation on the stakeholders' perceptions of sustainability in the UK banking sector

/A	ITEMS	n	Mean	SD	Remark
	UK banks demonstrate a strong commitment to sustainability practices, even if it means sacrificing some financial returns.	91	2.71	0.74	Disagree
	UK banks are transparent regarding their social responsibility initiatives.	91	3.09	0.68	Agree
	UK banks involve stakeholders in the development and implementation of their sustainability strategies	91	3.04	0.61	Agree
	UK banks prioritize sustainable investments over traditional profit-driven decisions.	91	3.38	0.75	Agree
	sustainability initiatives undertaken by UK banks are well understood by me	91	3.23	0.71	Agree

Key: X = Mean; SD = Standard Deviation, N = 191

Table 1 shows the mean responses of the stakeholders of the UK banks and how they perceive sustainability practices in the banking sector. The result revealed that items 2, 3, 4, and 5 had their mean values ranging from 3.04 to 3.38, which were above the criterion mean of 2.50, indicating that the respondents agreed that the stakeholders of the UK banks perceive sustainability practices in the banking sector, while item 1 disagree with the mean score of 1.71. The stakeholders of the UK banks perceive sustainability practices in the banking sector as something transparent regarding their social responsibility initiatives, something that involves stakeholders in the development and implementation of their sustainability strategies, something that prioritizes sustainable investments over traditional profit-driven decisions, and something that is well understood by the stakeholders. This implies that it could erode trust, damage their reputation, and may indicate a misunderstanding of the potential synergies between sustainability and profitability. Furthermore, it may prompt policymakers to introduce stricter regulations or disclosure requirements related to environmental, social, and governance, and a positive perception of sustainability practices could attract socially conscious investors and customers, enhancing market positioning and profitability.

Hypothesis 1: Stakeholder's perception does not significantly influence sustainability practices in the UK banking sector.

Table 2: t-test Analysis of the Responses

ITEMS	Mean	SD	t-cal	t-tab	Remark
UK banks demonstrate a strong commitment to sustainability practices, even if it means sacrificing some financial returns.	2.13	.74	628	4.000	NS
UK banks are transparent regarding their social responsibility initiatives.	1.94	.68	804	4.000	NS
UK banks involve stakeholders in the development and implementation of their sustainability strategies.	1.94	.61	757	4.000	NS
UK banks prioritize sustainable investments over traditional profit-driven decisions.	2.11	.75	949	4.000	NS
Sustainability initiatives undertaken by UK banks are well understood by me.	2.09	.71	949	4.000	NS

Key: X = Mean; SD = Standard Deviation, N = 191, NS-Not Significant; t-cal-t-calculated; t-tab- t-tab 4.05

The table revealed that the items had their t-cal ranged from 0.628-0.949 and were less than 4.05 and were accepted. This indicated that there was no significant difference in the mean rating of impact sustainability practices in the UK banking sector. We cannot reject the null hypothesis; therefore, stakeholder perception does not significantly influence sustainability practices in the UK banking sector.

The findings of the study in Table 1 revealed the stakeholders of the UK banks perceive sustainability practices in the banking sector. The result reveals that the stakeholders of the UK

banks perceive sustainability practices in the banking sector as something transparent regarding their social responsibility initiatives, something that involves stakeholders in the development and implementation of their sustainability strategies, something that prioritizes sustainable investments over traditional profit-driven decisions, and something that is well understood by the stakeholders. This finding aligns with the empirical research of Nwagwu (2020), who highlighted the banking sector's role as a key driver of sustainable economic growth, aiming to conserve resources and protect the environment. Similarly, Ibe-enwo et al. (2019) emphasized that UK banks have increasingly engaged in global environmental initiatives in recent years, demonstrating a proactive approach to preserving and enhancing the natural world. However, Ibe-enwo et al. (2019) argue against the notion that UK banks exhibit a strong commitment to sustainability practices. Therefore, the analysis of mean responses and standard deviation indicates generally positive perceptions of sustainability practices within the UK banking sector among stakeholders. While stakeholders acknowledge the strong commitment to environmental sustainability, positive social impact of CSR initiatives, and transparent communication of sustainability efforts, there may be opportunities to further enhance the integration of sustainability considerations into business operations.

Furthermore, the non-significance related to national-level determinants of sustainability practices implies that other factors may be more influential in shaping sustainability initiatives within the UK banking sector. These could include internal organizational policies, leadership commitments, and market pressures. This suggests that while stakeholders may value environmental initiatives, these perceptions may not translate into tangible changes in the bank's sustainability practices. Similarly, stakeholders' positive perceptions of the bank's social responsibility initiatives did not significantly influence sustainability practices.

SIMPULAN

This research reveals that stakeholders in the UK banking sector generally have a positive view of the sustainability practices of the country's banks. They consider that banks are transparent in their social responsibility initiatives, involve stakeholders in their sustainability strategies, prioritize sustainable investments, and are clear in communicating their sustainability initiatives. However, there is disagreement on whether banks are willing to sacrifice financial returns for sustainability.

Although perceptions of sustainability are positive, statistical tests show that stakeholder perceptions have no significant effect on actual sustainability practices in the UK banking sector. Thus, it can be concluded that while sustainability is recognized as an important value, profitability remains the top priority in banks' decision-making. These findings highlight the gap between stakeholder expectations and the actual implementation of sustainability strategies by banks, and emphasize the need for a more integrative and systemic approach for sustainability to truly become a core part of banking operations.

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