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Exploring National-Level Determinants of Sustainability Practices in the UK Banking Sector

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Abstrak

Dalam beberapa tahun terakhir, keberlanjutan telah menjadi perhatian utama sektor keuangan global, dengan semakin banyaknya penekanan pada isu-isu lingkungan, sosial, dan tata kelola (ESG) yang mempengaruhi keputusan investasi, manajemen risiko, dan strategi perusahaan. Penelitian ini mengeksplorasi faktor-faktor tingkat nasional yang memengaruhi praktik keberlanjutan di sektor perbankan Inggris. Menggunakan desain survei deskriptif, data dikumpulkan dari 191 responden dan dianalisis menggunakan statistik rata-rata, deviasi standar, dan uji t. Hasil penelitian menunjukkan bahwa meskipun responden sepakat bahwa perjanjian internasional dan insentif keuangan memengaruhi keberlanjutan, mereka tidak sepakat mengenai peran inisiatif yang dipimpin pemerintah, integrasi ESG, dan kesadaran publik. Namun, analisis uji t mengungkapkan tidak ada pengaruh signifikan secara statistik dari faktor-faktor tersebut, yang mendukung hipotesis nol. Hal ini menunjukkan bahwa pengaruh kebijakan tingkat nasional dan keterlibatan publik terhadap praktik perbankan berkelanjutan terbatas. Hasil ini menyarankan perlunya perbaikan kerangka regulasi, dukungan pemerintah yang lebih kuat, dan keterlibatan publik yang lebih baik untuk meningkatkan upaya keberlanjutan di seluruh sektor perbankan Inggris. Penelitian ini menyimpulkan bahwa kebijakan dan regulasi tingkat nasional saja tidak cukup untuk mendorong keberlanjutan di sektor perbankan Inggris. Penelitian ini merekomendasikan komitmen pemerintah yang lebih kuat, penegakan standar ESG yang lebih tegas, dan strategi keterlibatan publik yang lebih baik untuk mendukung pembiayaan berkelanjutan. Penelitian ini memberikan kontribusi pada diskursus keberlanjutan dengan menyoroti kesenjangan dalam intervensi tingkat nasional dan mengusulkan jalur yang lebih efektif untuk integrasi keberlanjutan di industri perbankan.

Kata kunci: *keberlanjutan, sektor perbankan, faktor tingkat nasional, pembiayaan hijau, regulasi Inggris*

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Abstract

In recent years, sustainability has become a central concern for the global financial sector, with increasing emphasis on environmental, social, and governance (ESG) issues shaping investment decisions, risk management, and corporate strategy. This study explored national-level determinants influencing sustainability practices in the UK banking sector. Using a descriptive survey design, data were collected from 191 respondents and analyzed through mean, standard deviation, and t-test statistics. Findings showed that while respondents agreed that international agreements and financial incentives influence sustainability, they disagreed on the role of government-led initiatives, ESG integration, and public awareness. However, t-test analysis revealed no statistically significant effect of any of these factors, supporting the null hypothesis. This suggests limited influence of national-level policies and public engagement on sustainable banking practices. The results imply the need for improved regulatory frameworks, stronger government support, and better public engagement to enhance sustainability efforts across the UK banking sector. The study concludes that national policies and regulations alone are insufficient to drive sustainability in the UK banking sector. It recommends enhanced government commitment, stronger enforcement of ESG standards, and improved public engagement strategies to support sustainable finance. This research contributes to the ongoing discourse on sustainable development by highlighting gaps in national-level interventions and proposing pathways for more effective sustainability integration in the banking industry.

Keywords : *sustainability, banking sector, national-level determinants, green finance, UK regulations*

INTRODUCTION

Sustainability practices in the UK banking sector are shaped by a combination of regulatory frameworks, socio-political pressures, economic dynamics, and institutional expectations. These national-level determinants influence how banks integrate environmental, social, and governance (ESG) principles into their operations, disclosures, and decision-making processes. A major national-level determinant of sustainability in UK banking is the regulatory environment (Saif-Alyousfi & Alshammari, 2025). The UK has established an ambitious legal framework to guide sustainability integration, particularly in response to climate change and broader ESG concerns. The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) require banks to assess and disclose climate-related financial risks. For instance, the PRA mandates that banks must embed climate-related risks into their governance structures and stress testing processes (Feridun & Güngör, 2020). These regulatory obligations have compelled financial institutions to adopt sustainability reporting practices and climate risk assessment frameworks in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

The UK government's legally binding commitment to achieving net-zero greenhouse gas emissions by 2050 has influenced banking strategies and investment decisions. Through the Green Finance Strategy, the UK government has emphasized the role of the financial sector in delivering sustainability goals (Dhayal et al, 2023). The strategy encourages banks to redirect capital towards green investments and climate-resilient projects. Moreover, government initiatives such as the UK Infrastructure Bank and support for green bonds further incentivize sustainable finance in the banking sector. Stakeholder expectations, particularly those of customers, investors, and civil society organizations, also influence sustainability practices in UK banks. Modern consumers increasingly demand transparency and ethical responsibility from financial institutions. Investor activism has similarly grown, with institutional investors pressuring banks to disclose ESG risks and reduce carbon-intensive financing (McDonnell & Gupta, 2024). These expectations are aligned with a broader cultural shift towards responsible capitalism in the UK, prompting banks to incorporate sustainability as a core component of their corporate strategies.

Sustainability in the banking sector is driven by market risks associated with climate change, such as the potential devaluation of carbon-intensive assets. The Bank of England has repeatedly highlighted the systemic risks that climate change poses to financial stability (Setzer et al, 2021). This awareness motivates banks to factor sustainability into credit risk assessments and lending practices. Moreover, the emergence of green financial products, such as sustainability-linked loans and bonds, demonstrates that sustainable banking can be both a risk management strategy and a competitive advantage in an evolving market. Institutional norms and industry collaboration further support the sustainability agenda. Industry bodies such as UK Finance and the British Bankers' Association promote shared best practices and voluntary commitments to ESG goals (Spînu et al, 2024). The UK's strong institutional capacity facilitates the dissemination of sustainability norms across the sector. Additionally, the UK's financial ecosystem includes numerous sustainability-focused think tanks and advocacy groups that influence banking practices through research, lobbying, and public discourse.

The UK's academic and professional training landscape also contributes to sustainability in banking. Universities and professional bodies such as the Chartered Banker Institute offer ESG-focused qualifications and certifications. This emphasis on education and skills development ensures a pipeline of professionals equipped to implement sustainability strategies in financial institutions (Lim, 2021). The current study is necessary because it sheds light on how national policies, regulations, and public expectations influence sustainability decisions in banking. While there is growing awareness of sustainability in the financial sector, most existing studies focus on what banks are doing internally without fully exploring how external national factors shape those actions. For instance, although the UK government has introduced strong climate goals such as the net-zero commitment, there is still limited research on how these national policies translate into real changes within banking practices (Gudde et al, 2021).

Some studies provide understandings into global sustainability trends, but they often overlook the specific role of the UK's regulatory bodies, such as the Financial Conduct Authority, in shaping sustainable finance (Colaert et al, 2022). Similarly, much has been written about corporate social responsibility at the firm level, but less attention is paid to how national economic and institutional environments guide or limit these efforts. This study is important because it focuses on the UK context, filling a gap in understanding how national-level influences drive or constrain sustainability in banking. It offers understandings that can guide policymakers, financial leaders, and scholars who seek to support a more sustainable banking sector.

METHOD

The study was designed using an online survey research approach. It allowed for automated distribution of the questionnaire and real-time data collection, which helped to reduce errors associated with manual data entry and eliminated the need for coding and cleaning. The area of the study was the United Kingdom, a country known for its long-standing global influence in trade, finance, and politics. As one of the world's most developed nations, the UK provided a fitting backdrop for the investigation, particularly with its robust and diverse banking sector, which includes retail, investment, and private banks, as well as building societies. Despite the sector's size and influence, sustainability practices had not been fully embraced, making it a timely and relevant context for this study.

The population of the study consisted of an estimated 2.5 million stakeholders in the UK banking sector, a figure drawn from the 2023 annual review of UK Financial Services. Given the large population, a manageable sample size of 191 respondents was selected using simple random sampling. This technique was employed to ensure that every stakeholder had an equal chance of being included, which helped to minimize sampling bias and enhance the credibility of the findings. The instrument for data collection was an online questionnaire. It was structured in two sections: Section A gathered basic demographic information, while Section B was divided into four parts to explore firm-level and national-level determinants of sustainability, stakeholder perceptions, and the factors informing those perceptions. The questionnaire items were measured using a four-point Likert scale, ranging from Strongly Agree to Strongly Disagree.

To ensure the validity of the instrument, the questions were carefully developed and reviewed in consultation with the researcher's supervisor. The intention was to make sure that the questionnaire accurately measured the concepts it was designed to assess. In line with Patten and Newhart's (2018) view that a test must be both reliable and valid to be useful, efforts were made to maintain a balance between these two qualities. Reliability was evaluated using the Cronbach alpha coefficient, a widely accepted statistical measure for internal consistency. The questionnaire achieved a Cronbach alpha score of 0.81, which indicated a good level of reliability and confirmed that the items in the instrument were closely related and consistent in measuring the intended constructs.

Data collection took place over the course of one month. The questionnaire was distributed online using the JISC survey platform, and each participant received a unique link to access the survey. This approach ensured ease of participation and preserved the integrity of responses, as participants could complete the survey at their convenience. For data analysis, descriptive statistics such as mean scores and standard deviations were used to summarize and interpret the responses to each item. The mean helped to identify general trends and opinions among respondents, while the standard deviation measured the extent of variation in their responses. To test the hypotheses, a t-test was conducted. Responses with a mean score of 2.50 or higher were considered to reflect agreement, whereas those below 2.50 indicated disagreement.

RESULT AND DISCUSSION

Research Question 1

What are the national-level determinants of sustainability practices in the UK banking sector?

Table.1 Mean Responses and Standard Deviation on the national-level Determinants of Sustainability Practices in the UK Banking Sector

N/A	ITEMS	N	Mini	Max	Mean	S.D	Remark
1	The effectiveness of government-led initiatives promotes green finance and sustainable investments in the UK banking sector.	191	1.00	3.00	1.76	.53	Disagree
2	The integration of Environmental, Social, and Governance (ESG) criteria in regulatory frameworks promotes sustainability in UK banks.	191	1.00	3.00	1.95	.54	Disagree
3	Financial incentives or tax breaks provided by the government encourage banks to adopt sustainable practices.	191	1.00	4.00	2.71	.60	Agree
4	International agreements and conventions (e.g., the Paris Agreement) influence sustainability practices in UK banks.	191	1.00	4.00	3.04	.61	Agree
5	Public awareness campaigns and consumer activism play a role in influencing sustainability practices within the UK banking sector	191	1.00	4.00	1.90	.56	Disagree

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

Table 1 shows the mean responses of the national-level determinants of sustainability practices in the UK banking sector. The result revealed that items 1 and 4 had their mean values ranging from 2.71 to 3.04, which were above the criterion mean of 2.50, indicating that the respondents agreed that the national-level determinants of sustainability practices in the UK banking sector while items 6,7 and 5 disagree with the mean ranging from 1.76-1.95. The national-level determinants of sustainability practices in the UK banking sector included international agreements and conventions and financial incentives or tax breaks provided by the government. This implies diminished confidence in the government's ability to effectively regulate and incentivize sustainable practices within the banking sector. Potential challenges in achieving national sustainability targets and commitments, such as those outlined in the Paris Agreement increased pressure on policymakers to reassess and strengthen regulatory frameworks and incentives for green finance. It calls for greater transparency and accountability in the implementation and enforcement of environmental, social, and governance-related regulations. Potential reputational risks for regulatory bodies perceived as ineffective in promoting sustainable finance, again call for opportunities for regulatory innovation and collaboration with industry stakeholders to strengthen environmental, social, and governance integration efforts. It also calls for more targeted and impactful public engagement strategies to raise awareness about sustainable banking options. Then again, it also calls for opportunities for financial institutions to enhance communication and transparency regarding their sustainability initiatives to build consumer trust. Potential shifts in consumer preferences and behaviors in response to evolving societal attitudes toward sustainability and corporate responsibility.

Hypothesis 1: There are no significant national-level determinants of sustainability practices in the UK banking sector.

Table 2: t-test Analysis of the Responses

N/A	ITEMS	Mean	S.D	f-cal	sig	Remark
1	The effectiveness of government-led initiatives promote green finance and sustainable investments in the UK banking sector.	1.71	.53	.682	.000	NS
2	The integration of Environmental, Social, and Governance (ESG) criteria in regulatory frameworks promotes sustainability in UK banks.	1.75	.54	.667	.000	NS

3	Financial incentives or tax breaks provided by the government encourage banks to adopt sustainable practices.	1.82	.60	.771	.000	NS
4	International agreements and conventions (e.g., Paris Agreement) influence sustainability practices in UK banks.	1.93	.61	.776	.000	NS
5	Public awareness campaigns and consumer activism play a role in influencing sustainability practices within the UK banking sector	1.71	.56	.677	.000	NS

The table revealed that the items had their t-cal ranged from 0.667-0.776 and were less than 4.05 and were accepted. This indicated that there was no significant difference in the mean rating of sustainability practices in the UK banking sector. We cannot reject the null hypothesis, therefore, there are no significant national-level determinants of sustainability practices in the UK banking sector.

The finding of the study in Table 1, also identifies the national-level determinants of sustainability practices in the UK banking sector. Some identified national-level determinants include financial incentives or tax breaks, international agreements, and conventions. The result revealed that the national-level determinants of sustainability practices in the UK banking sector included international agreements and conventions and financial incentives or tax breaks provided by the government. This finding can be used in line with the empirical work of Miah et al., (2020) who observe that through funding and innovations, banks have the potential to maximize their impact on sustainable firms, through incentives or tax, international agreements, and conventions. On the other hand, the study disagreed that the effectiveness of government-led, integration of environmental, social, and governance, and public awareness campaigns and consumer activism are not determinants of sustainability practices in the UK banking sector. Thus, the mean responses and standard deviations highlight both challenges and opportunities for sustainability practices in the UK banking sector at the national level. While there is skepticism regarding the effectiveness of the regulatory framework, government support, and public perception in driving sustainability, there is recognition of the importance of strong leadership and commitment within the banking sector. Addressing regulatory gaps, increasing government support, and enhancing public engagement could further promote sustainability initiatives within the UK banking sector.

Also, the null hypothesis suggests that the factors traditionally considered as national-level determinants do not have a statistically significant impact on sustainability practices in the UK banking sector. The implication is that National-level regulations and policies, such as those mandating environmental reporting or requiring banks to adhere

to specific criteria, may not be sufficiently influential in shaping sustainability practices within the banking sector. Standards set by industry bodies or best practices endorsed by regulatory authorities may not be universally adopted or enforced across all banks in the UK. This lack of uniformity could contribute to the non-significance of these determinants. Despite increasing societal awareness and expectations regarding sustainability, the absence of significant findings suggests that societal pressures alone may not be driving sustainability practices within the banking sector at the national level. Individual banks may have varying levels of autonomy and discretion in determining their sustainability practices, leading to divergent outcomes that obscure the influence of national-level determinants.

CONCLUSION

This study explored the national-level determinants influencing sustainability practices in the UK banking sector. The findings revealed that while respondents recognized the role of international agreements and financial incentives or tax breaks in promoting sustainable practices, there was a general lack of confidence in the effectiveness of government-led initiatives, regulatory integration of ESG criteria, and public awareness efforts. Statistical analysis confirmed that these national-level factors do not significantly determine sustainability practices, highlighting potential regulatory gaps and inconsistencies in implementation. The conclusion points to the need for stronger policy enforcement, increased governmental commitment, and enhanced stakeholder engagement to drive impactful sustainability outcomes across the UK banking industry..

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