

## Change Management and Sustainable Development in the Banking Industry

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### Abstract

The study investigated change management and sustainable development in the Banking Industry. The dimensions of change management vis a vis (carbon footprint reduction, customer engagement and satisfaction and integration of ESG on sustainable development). Data were collected through a survey research design using a structured questionnaire for the entire target population of 172 employees from some selected money deposit money banks in Marina, Lagos Nigeria. The study adopted multiple linear regressions with the use of SPSS version 26 software to analyze the descriptive and inferential statistics of the data. The findings revealed that carbon footprint reduction, customer engagement and satisfaction, and integration of ESG have significant effect on sustainable development with  $p\text{-value} > 0.000$  respectively. The study concluded that reduced carbon footprints, customer involvement and the incorporation of ESG standards are all major predictors of sustainable development. The study therefore, recommended that banks should give precedence to mitigating their carbon footprint through the implementation of strategies, create high priority on client engagement and satisfaction by initiating financial literacy programs and prioritize integrating ESG criteria into their operations through the implementation of sustainable investment policies.

**Keywords:** Carbon footprint, change management, customer engagement, integration of ESG, sustainable development

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### Introduction

A permanent and unavoidable part of organizational life is change. In order to satisfy the needs of a changing business environment, organizations must constantly adapt and change. Change is essential to determining an organization's future, whether it is brought about by internal initiatives, market changes, or technology breakthroughs. The methodical process of moving people, groups, and organizations from one state to another is known as change management (Cameron & Green, 2019). To successfully negotiate these shifts, effective change management is crucial. To promote organizational transformation, it entails comprehending the necessity of change, creating a clear vision, involving stakeholders, and putting strategies into action (Engida et al., 2022). The

creation of long-term environmental and social value for a variety of stakeholders, including shareholders, employees, customers, suppliers, communities, and public-sector partners, while paying special attention to the needs of future generations, is becoming more widely recognized in the private sector as sustainability. Changing consumer expectations and new national and international laws demonstrate the significance of sustainability on a global scale (Aggarwal, 2011).

Businesses' prospects of functioning profitably and participating in global trade increasingly rest on their capacity to reduce social and environmental risks and to seize innovative opportunities (Zahra, 2021). Businesses can no longer overlook sustainability as a

crucial component of competitive advantage (Willard, 2012). Many organizations are trying to incorporate sustainability into their operations after realizing this trend (Sroufe, 2017). The first obstacle for many is figuring out where and how to begin. Obtaining the required cash inflows to start changing their operations comes next (Gomber et al., 2018). As lenders to companies of all sizes, financial institutions are essential to advancing sustainability in communities, industries, and sectors (Stafford-Smith et al., 2017). Additionally, financial institutions have a lot of opportunity to enhance their own goods and services through sustainability (Mejia-Escobar et al., 2020).

Change management and sustainable development have become imperative considerations for organizations seeking to adapt to evolving environmental and societal issues while preserving long-term viability (Doppelt, 2017). Since businesses and institutions strive to align their operations with sustainability goals, they often encounter resistance, complexity, and uncertainty (Turnheim, Berkhout, Geels, Hof, McMeekin, Nykvist & van Vuuren, 2015). Effective change management strategies help navigate these challenges by fostering a mindset that values creativity, adaptability, and ongoing development (Mızrak, 2024). One of the fundamental principles of change management with relation to sustainable development is the recognition of the interconnected nature of social, environmental, and economic systems (Mensah, 2019). This holistic perspective acknowledges that any change within an organization has ripple effects that extend beyond its immediate boundaries (Ivanov & Dolgui, 2021).

Therefore, sustainable change initiatives must consider the broader impacts on stakeholders, communities, and the environment (Shrivastava, Smith, O'Brien & Zsolnai, 2020). Change management and sustainable development signify essential facets of recent banking activities, demanding a fragile balance to guarantee organizational flexibility and social responsibility (Becker, 2023). Change management approaches in banking engross applying structural changes to adjust to developing marketplace dynamics and dictatorial landscapes (Edunjobi, 2024). In the interim,

sustainable development ideas intend to combine environmental, social and governance (ESG) ideologies into banking practices to lessen hazards and create significance all through the time (Izzo, 2018). In the banking industry, attaining sustainable development entails steer multifaceted trade-offs amid productivity, risk management and societal force. The function of effectual change management methods plays a fundamental part in coordinating this complementary act. Through inspiring a groundbreaking customs and flexibility, banks can practically react to sustainability challenges though remaining competitive in a swiftly varying landscape (Kolasani, 2023). Harmonizing change management with sustainable development creates challenges in contemporary organizations (Ikromjonovich, 2023).

In spite of growing demands for sustainability in banking, challenges continue in sinking carbon footprints, enhancing customer engagement and satisfaction and efficiently combining ESG standard into processes (Smith, 2020). This study intends to explore the interdependence of carbon footprint reduction, customer engagement and satisfaction and integration of ESG measure in the banking sector. By investigating these scopes, the study seeks to provide insights for banking firms to develop their sustainability tactics and add to the evolution towards a more environmentally and socially responsible industry. “These hypotheses were formulated for the study:

**H0<sub>1</sub>:** Carbon footprint reduction has no significant relationship with sustainable development in selected money deposit banks in Marina, Lagos State, Nigeria.

**H0<sub>2</sub>:** Customer engagement and satisfaction has no significant relationship with sustainable development in selected money deposit banks in Marina, Lagos State, Nigeria.

**H0<sub>3</sub>:** Integration of ESG (Environmental, Social and Governance) criteria has no significant relationship with sustainable development in selected money deposit banks in Marina, Lagos State, Nigeria.

## Methodology

A survey research design was employed in utilizing a census review of these selected money deposit banks in Marina which covers the entire target population with the use of questionnaire. These methods were adopted because they served as adequate methods for gathering information from the sample population to explore the study question. The population of the study comprises of 172 employees which also serve as the sample size from some selected money deposit banks in Marina which are United Bank of Africa, First Bank, Wema Bank and Union Bank. Utilizing Component Factor Analysis and Cronbach Alpha Statistics correspondingly, the psychometric qualities (validity and reliability) of the acquired data were evaluated. The study adopted multiple linear

regressions with the use of SPSS version 26 software to analyze both the data's descriptive and inferential statistics.

$$SD = f(CM) \\ = f(CFR, CES, IESGC) \\ SD = \beta_0 + \beta_1 CFR + \beta_2 CES + \beta_3 IESGC + e_t$$

Where:

SD= Sustainable Development

CM = Change Management

CFR = Carbon Footprint Reduction

CES = Customer Engagement and Satisfaction

IESGC = Integration of Environmental, Social and Governance Criteria

$e_t$  = Error Term

$\beta_0$  = Constant

$\beta_1, \beta_2, \beta_3$  = Co-efficient of the Variables

## Results and Discussion

**Table I: Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on N of Items	Standardized Items
.790	.790	20

Source: Field Survey 2024, using SPSS Version 26

The study instrument reliability statistics, as shown in Table 1, are assessed to be  $\alpha=.790$ . This suggests that the study tools are trustworthy.

**Table II: Descriptive Statistics**

	Mean	Std. Deviation	N
SD	12.7791	2.34908	172
CFR	13.2151	2.38298	172
CES	13.0291	2.63452	172
IESGC	12.9767	2.05752	172

Source: Field Survey 2024, using SPSS Version 26

Table II presents a concise overview of the study sample. The mean value of Sustainable Development (SD) is 12.7791, with a standard deviation of 2.34908, whereas the mean values of Carbon Footprint Reduction (CFR), Customer Engagement

and Satisfaction (CES) and Integration of Environmental, Social and Governance Criteria (IESGC) are 13.2151, 13.0291 and 12.9767 with the standard deviation of 2.38298, 2.63452 and 2.05752 respectively.

**Table III: Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.927 <sup>a</sup>	.860	.858	.88606	2.155

Source: Field Survey 2024, using SPSS Version 26

R-Square estimate of 86% ( $R^2 = .860$ ) is presented in Table III. The data suggests that the dependent variable, Sustainable Development (SD), had 86% of its overall variance explained by the independent

variables, Carbon Footprint Reduction (CFR), Customer Engagement and Satisfaction (CES) and Integration of Environmental, Social and Governance Criteria (IESGC).

**Table IV: ANOVA<sup>a</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	811.708	3	270.569	344.630	.000 <sup>b</sup>
Residual	131.897	168	.785		
Total	943.605	171			

Source: Field Survey 2024, using SPSS Version 26

Table IV illustrates the combined significant relationship between the independent and dependent variables. A 5% significant level of rejection is given to the null hypothesis that there is no significant relationship between the dependent variable, Sustainable Development (SD), and the independent

variables, Carbon Footprint Reduction (CFR), Customer Engagement and Satisfaction (CES) and Integration of Environmental, Social and Governance Criteria (IESGC), based on the probability value of the F-Statistics, which shows a P-Value of less than 5% ( $3/168 = 131.897, P < 0.05$ ).

**Table V: Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	T	
1 (Constant)	-.072	.437		-.164	.870
CFR	-.646	.057	-.656	-11.319	.000
CES	.394	.037	.442	10.564	.000
IESGC	1.253	.064	1.098	19.516	.000

Source: Field Survey 2024, using SPSS Version 26

The P-value of the t-statistics ( $\beta = -.656, t = -11.319, p < .05; \beta = .442, t = 10.564, p < .05; \beta = 1.098, t = 19.516, p < .05$ ) in table V, shows that the P-values are less than 5%, this implies that:

- Sustainable Development (SD) and Carbon Footprint Reduction (CFR) have no significant relationship, and this null

hypothesis is rejected at a 5% significant level. The alternative is accepted at a 95% confidence interval.

- At the 5% significant level, the alternative hypothesis: that there is no significant association between Customer Engagement and Satisfaction (CES) and Sustainable Development (SD) is accepted, with a 95% confidence interval.
- Integration of Environmental, Social and Governance Criteria (IESGC) and Sustainable Development (SD) has no significant relationship, thus, the null hypothesis is rejected at a 5% significant level while the alternative hypothesis is accepted at a 95% confidence interval
- Sustainable Development (SD) decreases by -.646 for every unit increase in Carbon Footprint Reduction (CFR).
- Sustainable Development (SD) increases by .394 for every unit increase in Customer Engagement and Satisfaction (CES)
- Sustainable Development (SD) increases by 1.253 for every unit increase in Integration of Environmental, Social and Governance Criteria (IESGC).

### **Discussion of Findings**

This study looked at how certain money deposit banks in Marina, Lagos State, Nigeria, integrated ESG standards with sustainable development, and how these factors related to customer involvement and happiness and the reduction of carbon footprints.

According to the study, reducing carbon footprints extensively contribute to sustainable development in the selected banks (rejecting HO1). This implies that banks have upper possibility of attaining sustainable development if they pose a high precedence on reducing their carbon footprint.

In the selected banks, there is a significant connection involving sustainable development and customer engagement and satisfaction (rejecting HO2). This entails that banks that put a high precedence on customer happiness and engagement will be more successful in attaining sustainable development.

In addition, it shows that the insertion of ESG standards has a major key impact on sustainable development in the banks that are selected (rejecting

HO1). This entails that banks that combine ESG standards into their activities are more liable to attain sustainable development.

The R-Square estimate of 86% ( $R^2 = .860$ ) shows a strong fit for the model, signifying that the predictors (carbon footprint reduction, customer engagement and satisfaction, and ESG criteria integration) describe a major ramifications for Nigeria's banking sectors.

Firstly, they underline how vital it is to prioritize lowering carbon footprints, fulfilling customers and combined ESG factors into business activities in order to attain sustainable development.

Secondly, they assert that banks with a high precedence on these fundamentals have a improved possibility of attaining sustainable development, which can result in long-term competitiveness and success.

Lastly, by presenting empirical statistics on the links between customer engagement and satisfaction, carbon footprint reduction and the integration of ESG criteria with sustainable development in Nigerian banks, this research work adds to the body of knowledge already accessible on sustainable development in the banking sector.

### **Conclusion**

The study revealed a strong connection between lowering carbon footprints, customer engagement, the amalgamation of ESG standards and sustainable development in a few Nigerian money deposit institutions. The study concluded reduced carbon footprints, customer involvement and the amalgamation of ESG standards are all major predictors of sustainable development. Thus, these elements ought to be given top priority by banks as vital strategies for achieving long-term success and sustainable development.

### **Recommendations**

To attain sustainable development, the following recommendations were forecasted:

- i Banks should give priority to extenuating their carbon footprints through the execution of tactics as well as optimizing

energy efficiency, shifting to renewable energy sources and restraining paper usage via digitalization. This will reduce their environmental outcome and assist generate a further sustainable future.

- ii Banks should set a high precedence on customer engagement and satisfaction by instigating financial literacy programs, individualized banking services and client feedback tools. This can reinforce their connection with clients and help create a more sustainable prospect.
- iii Banks should prioritize integrating ESG criteria into their operations through the implementation of sustainable investment policies; transparency reporting and ESG risk assessments. This will help stakeholders to find and solve important ESG problems, provide cutting-edge financial solutions, create long-term viability and contribute to a more sustainable future.

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