


Sustainable banking practices in Southern Africa

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Orientation: Problematic loans expose commercial banks to great risk. South African and Namibian banks are highly regulated and require a higher capital adequacy ratio to shield the banking system from default risk. However, such intense regulation distorts the cost of capital and denies equal access to many previously disadvantaged members of society previously excluded from banking services. Highly regulated banking therefore holds major implications for the country's growth prospects.

Research purpose: This theoretical paper examines the South African and Namibian banking systems, to understand the challenges in managing risk and creating greater stakeholder value. As the forerunner to an empirical investigation, it intended to understand scholarly views on sustainable banking practices and financial exclusion.

Motivation for the study: Borrowing from the fields of strategic management and business psychology, this study unpacks the human role in executing sustainable banking practices.

Research design, approach and method: Theoretical, abstract research, analysing recent research, was conducted to uncover current banking research trends in South Africa and Namibia.

Main findings: Value creation, rather than compliance, should be prioritised, to achieve sustainable lending, risk management and inclusivity.

Practical/managerial implications: Policy makers in the South African and Namibian financial services sectors may benefit from this theoretical research and use it to improve their ability to strike a balance between sustainable banking, increasing access to banking for the previously unbanked, and meeting regulator needs.

Contribution/value-add: This study makes a theoretical contribution to the body of knowledge on sustainable banking, which is an emerging field globally.

Keywords: Basel III; financial exclusion; Namibia; South Africa; sustainability.

Introduction

Commercial banks incur big losses when loans do not perform according to expectations, meaning that interest and amortisation expectations are not met, and more so when the number of non-performing assets (NPAs) increase (Gaur, Mohapatra & Jena 2022). These losses occur in the form of the reduction of a bank's loan portfolio, its primary asset, and interest income, its primary source of income (Maredza 2016). As major stakeholders in sustainable economic growth and wealth creation, the entire banking industry needs to find a balance between sustainable and responsible lending to businesses who, through largely borrowing, provide goods and services, meeting central bank regulations and supervision requirements and making available loans to a great part of the population called the 'unbanked' (Chitimira & Magau 2020).

NPA's put pressure on bank profitability, and to protect the banking industry against the loss of financial stability, the Basel Committee of Banking Supervision (BCBS) was established in 1974 by governors of the G10 countries, which are the world's leading industrial countries, including the United Kingdom, the United States of America and many European countries (Gaur et al. 2022). While initially intended to serve the central banks' supervision capabilities, the Basel Accords have since increased to three, and now includes stricter reform for countries around the world (Gabr & ElBannan 2018). Following the 2007/2008 banking crisis, stricter reform came in the shape of a revision of Basel II into Basel III, which was needed to compel banks to implement more prudent measures, intended to stabilise not only the local, but the international banking sector (Bano 2017). Effectively, the Basel accords protect banks against high leverage and risky lending behaviour, by imposing a minimum capital requirement commensurate with the loans granted (Kim & Katchova 2020).

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While the imposition of stricter bank supervision has more advantages than disadvantages, it largely impacts Southern Africa, where a large part of the (low income earning) population is still unbanked and excluded from taking part in the country's provision of formal financial services (Maredza 2016; Chitimira & Magau 2020). Unbanked refers to adults with limited or no access to bank accounts and basic financial services (Bongomin et al. 2023). Limited access to capital through the financial system deprives a large part of the population from playing their role in stimulating economic growth, generating wealth and changing their historic narrative of poverty (Motala 2015). Access to finance remains one of the biggest challenges for the youth, often compelled into entrepreneurship through their inability to find gainful employment for years (Evans & Boguchwal 2014). A balance is therefore needed between the needs of entrepreneurs to grow start-ups, meeting bank supervision requirements, and creating sustainable economic growth in Southern Africa.

The purpose of this paper is to highlight the value of bank supervision and the challenges of creating financial inclusion for the previously excluded, as lenders hold the key in contributing to wealth creation on many levels and thus GDP growth. There are two objectives to this conceptual paper:

- to explore the dimensions of financial inclusion and bank supervision in recently published academic work and
- to make recommendations regarding the future of financial inclusion.

Literature review

The emphasis of this theoretical paper is on the human element present in decision making. This part of the paper consists of three distinguishable arguments: literature included in the coming discussion starts with the precepts of sustainable banking, bank supervision, the difficulties of the borrowers previously excluded from the financial system are discussed next. This section is concluded with an investigation into the professional judgement of lenders and those responsible for granting credit.

Sustainable banking

Modern organisations, including banks are compelled to take a more holistic view of their environment and no longer only focus on profitability (Chiu 2021). This requires some shifts in corporate behaviour to inclusive capitalism and more emphasis on the needs of stakeholders for the benefit of value creation for all involved (Licite & Smertjeva 2017). To achieve these goals and be aligned with the global goals of sustainable development, The King IV Codes of Corporate governance is recommended for South African organisations, as a set of guidelines and best practices according to which value may be created sustainably for all stakeholders (IODSA 2023). However, globally, the corporate responsibility of banks should entail that banks take on, or be willing to share, the social cost of the economy, the environment, the public and employees (Licite & Smertjeva 2017). A key challenge for

banks is therefore to incorporate these global goals into their strategies and recognise the opportunities that may be presented (IODSA 2023).

Banking supervision and the Basel III accord

Bank supervision and oversight are central bank duties, executed in collaboration with the employees of commercial banks (SARB 2023). The central bank oversees the country's national payment system, and carefully manages risks resulting from liquidity, credit, operational or fraudulent settlements, in keeping with international best practice (Kantor 2023). International best practice of sound bank supervision is upheld by the BCBS, which consists of senior representatives from close to 30 countries, collaborating on strengthening supervision and managing risks (Gaur et al. 2022). With good corporate governance comes good risk management, which engenders confidence in the entire banking system, a hard lesson learned following the 2007/2008 financial crisis (SARB 2023).

The Basel accords, the third of which is currently in use, recommends that bank supervisors regulate capital requirements by requiring commercial banks to retain a minimum cash deposit, intended as a buffer against financial and economic shocks such as an economic downturn or an increase in NPA's (Gaur et al. 2022). When banks hold higher quantities and qualities of capital, they are better positioned to respond to losses and thus help prevent bank failure (Maredza 2016). Although supervision's purpose is not to prevent failure, with good and sustainable oversight the probability and impact of such failures may be reduced (SARB 2023).

High risk lending by US commercial banks led to the global financial crisis of 2007/2008, which took the country around 10 years to recover from (Gaur et al. 2022). The subprime interest rates offered by USA banks to borrowers with poor credit ratings and a high default risk resulted in many NPA's and subsequently, in the collapse of the USA property market (Kantor 2023). Among others, US banks were promoting financial inclusion for previously disadvantaged groups by creating a favourable real estate investment climate, lend out excess liquidity and offered no or low interest, without requiring proof of repayment-ability or affordability (Bano 2017). Large scale defaults were imminent, as bank customers, unable to afford the mortgage, stopped repaying mortgage loans, the oversupply of repossessed houses sent house prices into a declining spiral, and wiped out much of the capital of highly leveraged banks (Gaur et al. 2022). The South African financial system was largely protected, and the housing market retained its Rand value, although banks suffered collateral damage due to their exposure to US bank equity and government debt (Kantor 2023).

Taking from the lessons of this global crisis, and in the spirit of better governance, The Basel Accord III now requires banks to hold capital over and above the eight percent prescribed by Basel II (Gaur et al. 2022). Central banks

around the world then started requiring commercial banks to conform to central bank capital adequacy requirements based on the guidelines of minimum capital requirement, capital adequacy and leverage (Bano 2017; Kim & Katchova 2020). To meet the higher capital adequacy ratio, banks may also increase their lending rates, which slows down lending. It was found though, that banks tend to take on more risky loans, justified by the higher capital requirement they maintain (Osei-Assibey & Asenso 2015). When banks are compelled to withdraw that cash from the monetary system, it has the dual effect of reduced lending activity through increasing lending rates, and reduced growth prospects for the country (Kantor 2023). Such actions excludes many borrowers from access to banking services, but in addition to improving risk management, compliance, and bank performance, a safer banking system also creates confidence among investors (Kantor 2023).

Basel III implementation in Southern Africa and its effect on financial exclusion

Many low-income earners in Southern Africa are unable to access affordable and suitable financial services, caused by a combination of the geographic inaccessibility of banks, and limited access to an internet connection, financial illiteracy, unemployment, bad credit histories and no policy to steer financial inclusion (Govender 2016). Legislation that currently regulates financial inclusion are National Credit Act (the NCA), 34 of 2005, the Financial Sector Regulation Act (the FSR Act), 9 of 2017 and the Consumer Protection Act (the CPA), 68 of 2008 (South African Government 2023). These pieces of legislation are confusing and incomprehensive, and lead to low-income earners turning to informal providers of financial services, charging high interest rates and imposing harsh pay-back rules on short-term cash loans (Chitimira & Magau 2020). The NCA does however go a long way to protect low-income earners from exploitation through cash loans (Maredza 2016). Because of the timely implementation of this legislation, Southern Africa was largely buffered from the 2007/2008 global financial crisis (Kantor 2023).

Social justice and inclusion

South Africa is the country with the highest Gini coefficient in the world, scoring 63, followed by Namibia at 59, which indicates that there is a large gap between the incomes of a country's richest and poorest people (World Bank 2023). This inequality according to Govender (2016) is structurally embedded, and the scale of poverty is associated with the country's embedded racial divide. This glaring gap in equality means that the 10 richest people in South Africa own close to USD15 billion, while nine out of 10 South Africans are poor and close to 70% of children live in poverty due to large scale unemployment among their parents (Motala 2015). Ironically, it is these high levels of social and economic inequality that impedes the fight against poverty, and if inequality was reduced, an economy can grow sufficiently to create jobs and constrain poverty (Oxfam 2014).

Banks and indeed their employees responsible for extending or approving loans, may be instrumental in the reduction of the Gini coefficient, and may facilitate wealth creation (Maredza 2016). Similarly, they may contribute to wealth destruction through groupthink, or behavioural convergence, as researched by Lunn (2013). While there are statistical techniques that perform credit scoring to support credit decisions and calculate risk, bankers may be reluctant to use these only, as an unfavourable lending evaluation may lead to the loss of customers (Bekhet & Eletter 2014). Looking back at the global financial crisis, we must consider the cognitive bias that affected our judgement and the precision of our beliefs (Abbes 2013). Self-serving bias, which is people's tendency to seek out external and uncontrollable forces to justify their lack of performance (Keusch, Bollen & Hassink 2012) and over-confidence bias, which results in people underestimating risk (Abbes, 2013) were present in the decision processes of those granting credit.

Entrepreneurs and small business similarly lament the lack of access to finance as a major stumbling block to starting and growing ventures (Chitimira & Magau 2021). Unemployment and a decades-long inability of the economies in South Africa and Namibia to create employment has forced many into starting a small business, albeit reluctantly (Wegerif 2020). It is rather out of necessity than entrepreneurial orientation that drives people to start a small business (Sivarajah & Achchuthan 2013). Other things being equal therefore, access to finance is not the only reason for the low entrepreneurial activity in South Africa and Namibia, with low entrepreneurial intention and a lack of management skills cited among the myriad of reasons (Sivarajah & Achchuthan 2013; Wegerif 2020; Chitimira & Magau 2021). The failure of small businesses to grow sufficiently to create employment and national wealth is preventing South Africa and Namibia from reducing inequality and give historically disadvantaged people access to finance (Govender 2016). Economic inequality greatly contributed to the global financial crisis according to the 2014 Oxfam report and the International Monetary Fund (Oxfam 2014). To help reduce exclusion from the financial system, and to grow their businesses, the bankers that granted unsecured loans took huge bets, which, were it not for government bailouts, could have brought down the world's economy (Govender 2016).

Behavioural psychology involved in granting loans

Only a few researchers, such as Lunn (2013), Keusch *et al.* (2013) Bekhet and Eletter (2014) have taken an interest in the professional judgement of bank employees. Their interest centered on the Irish financial crisis of 2002, which they found to have extended beyond merely the herd mentality of bankers in Ireland. Lunn (2013) found that increased domestic demand, fueled by the easy availability of cheap international finance, led to banks relaxing lending rules in competition with each other. The spending continued, and property developers offered low gear property deals, which escaped the watchful eyes of the bank regulator, and in the end these

heightened emotions caused a property bubble (Barberis, 2013). Then property prices fell by up to 60%, sending heavily geared banks into insolvency (Nyberg 2011). The Ireland financial crisis was unrelated to and had no bearing on the world financial crisis, but still we should consider the missing dimension of bias in judgement, which caused a macroeconomic danger on a global scale (Lunn 2013). Unfortunately, few such investigations have been conducted around the world recently (Bongomin et al. 2023).

Professional judgement refers to the discretion exercised in applying professional knowledge, skill and experience, in screening a customer's financial background before making a credit decision (Bekhet & Eletter 2014). To a large extent objectivity, integrity and situational assessment are required when bank employees such as relationship managers, bankers and credit managers must choose between alternatives and making recommendations (Lunn 2013). Bankers must consider what assets they want to have on their books and how best to employ the bank's capital to generate an income for the bank (Barberis 2013). Professional judgment is made under conditions of complexity, uncertainty and novelty, presents risks to the decision maker and their employer and such judgements should be made reasonably, rather than be the opinions of the professional making the judgement (Keusch et al. 2013). Making a professional judgement about a transaction requires having sufficient evidence (Lunn 2013). Professional judgement should be based on fact, only made after reasonable consideration of all the possible alternatives, taking cognisance of the degree of uncertainty, and in compliance with the professional code (Barberis 2013).

From a social justice point of view, capitalism inevitably causes inequality (Campbell 2021). This is very visible in South Africa, where most of the population still experiences poverty, exclusion and social injustice (Govender 2016). Interestingly, research out of China uncovered that the economic and social change since reform in that country has led to increased social inequality as well as regional inequality (Ma, Tan & Du 2022). Public opinion consists of belief and perception and what people perceive as unequal access to funding or exclusion from it, may affect their beliefs about social justice (Ma et al. 2022). These authors found that all participants surveyed regarded a just society as one where redistribution of wealth is fair, and that those participants with higher education and incomes are more inclined to believe that wealth distribution is fair. However, banks focus on customer or service orientation, problem solving, understanding the context of the customer and rivalry with other banks (Serwadda 2018). Bankers' focus is not expected to be on external factors such as social justice and resource allocation when they carry out their intermediary role (Ongole & Kusa 2013), but rather on internal factors such as credit management, profitability and competitiveness (Serwadda, 2018). Banks employees involved in granting credit are responsible for the bank's sustainable profitability, and Makkar and Singh (2013) report a significant positive relationship between prudent credit management and bank

performance and that an increase in NPA's could reduce bank profitability by as much as 22%. At the same time, Valls-Martinez, Cruz-Rambaud and Parra-Oller (2020) found that although profitability is under pressure, ethical banks experience lower volatility and more stability during times of crisis. It would therefore be of interest to understand their ontologies when it comes to the public's opinion of justice and inclusivity.

Bounded rationality

A study in banking would be incomplete without a focus on behaviour in financial decision making, with particular emphasis on the work of Herbert Simon (1955; 1956). Simon's seminal works of 1955 and 1956 were essentially an alternative to neoclassical economics, and he wrote that not only our perceptions of utility drives a consumer's decisions, but in fact, emotions, limited information and resource scarcity as well (Harstad & Selten 2013). Instead, Simon's (1955; 1956) Bounded Rationality theory holds that cognition and environment form a bounded rationality and is the major input into human decision making. Since these seminal works of Simon (1955; 1956) economics and psychology scholars have been interested in explaining human decision making under conditions of limited knowledge and cognitive capability, i.e. cognition and time constraints imposed by the environment (Harstad & Selten 2013; Petracca 2021).

While behavioural economists such as Simon (1955; 1956) and other proponents of psychology criticised neoclassical economists, research has not yet produced a sufficient body of knowledge or a real challenge to neoclassical models (Petracca 2021). Simon's (1955; 1956) critique of neoclassical economics is that not all decisions and problem solving can be assumed to be rational and based on utility extracted from the value created when supply meets demand. Not all decisions, whether made by individuals, households, or organisations, are made purely rationally. Instead, there is a behaviour aspect, and bounded rationality theory holds that cognitive, limited informational and environmental limitations result in us 'satisficing' or seeking solutions that are good enough. When environmental constraints and complexities are present, for example the availability and quality of information, the presence of uncertainties and risks, resource constraints, and the nature of the decision problem itself, the decision maker selects criteria for acceptability and chooses the first option that meets those criteria, rather than exhaustively evaluating all possible alternatives (Mir-Artigues 2021).

Bank officials responsible for granting credit never do so in isolation, but with their team members, who use cognition, are under time pressure, and have limited information (Petracca 2021). To make decisions, credit managers and credit committees are expected to anticipate the outcomes and consider the best possible options for all stakeholders, albeit with imperfect information, uncertainty, and risk (Harstad & Selten 2013). These bankers often use mental shortcuts to solve problems quickly, called heuristics

(Mir-Artigues 2021), and Simon (1956) believed that the heuristic of 'satisficing' is a bounded rationality, which implies that they are satisfied that their decisions are sufficient, especially since they are under time pressure and information is complex and contingent. While we have multiple heuristics at our disposal, no two decision makers, notably on a bank credit committee, have similar preferences or would choose similar heuristics. This is not because heuristics are fickle or frivolous, but because different bankers have different cumulative knowledge, preferences, and intuition (Gigerenzer 2018). This divergence in preferences and heuristics may be of value to the team, if fully activated during group decision making events, such as a credit committee meeting (Harstad & Selten 2013). Mir-Artigues (2021) discussed five heuristics (see Table 1 below). However, in addition, Christl and Spiekermann (2016) and Spetzler (2016) refer to three patterns, consisting of heuristics, deliberation and sacrificed choice. Together, these eight elements will converge in a set of constructs, forming a proposed measurement tool or checklist for decision makers in banks. First the five heuristics are discussed and then the remaining three patterns.

The construct of deliberation implies that certain decisions do not reside with only one decision maker. Collective decisions imply agreement and conformity (Spetzler 2016) but it also provides justification for disastrous or unintended outcomes if the choice was shared among peers (Mir-Artigues 2021). Either way, deep deliberation, whether with the aid of computational techniques or other costly decision-making instruments, is always likely to produce better outcomes than no deliberation at all.

The construct of sacrificed choice implies that regret in case of a disastrous decision is reduced when the decision is shared by a third party or a computational technique (Christl and Spiekermann 2016). This also provides reasons for defending the choice, particularly when the other decision makers have sufficient knowledge or the decision-making process relies on big data analysis, probably owned by the workplace (Mir-Artigues 2021).

Research methods and design

Research objective 1

The first objective of this theoretical paper was to explore recently published academic work on the dimensions of social justice and inclusivity, personal judgement, bank

TABLE 1: Five heuristics in which humans make inferential choices.

Heuristic	Explanation
Recognition	We choose the option we recognise at first glance
Algorithms/sets of rules	Previously recognised screening rules help us make decisions
Weighting and adding	Comparing different alternatives and choosing the one that presents the highest value to us
Sufficiency	Alternatives in no particular order is considered and we choose one that is sufficiently satisfactory
Social	Reciprocity or emulating peers

Source: Adapted from Mir-Artigues, P., 2021, 'Combining preferences and heuristics in analysing consumer behaviour', *Evolutionary and Institutional Economics Review* 19, 523–543. <https://doi.org/10.1007/s40844-022-00234-8>

supervision and compliance. A literature search conducted using Google Scholar and Ebsco Information Services, found these two search engines to be the most effective (Gusenbauer 2019). Search parameters used were: 'social justice', 'financial inclusion/exclusion', 'banking in Southern Africa', 'Basel accord', 'bounded rationality', 'human judgement' and 'professional judgement'. The timeframe was set to include only articles between 2012 and 2023, thus 11 years. All sources were screened for relevance and the most appropriate are cited in this article.

To identify the various dimensions that make up banker perceptions, content analysis was performed of the academic works and their authors in each discipline. The outcomes of the content analysis was used as inputs into the second research objective.

Research objective 2

To make recommendations regarding banker perceptions.

In this second research objective, my role as researcher was central in synthesising the various constructs. I acknowledge that the credibility of the choice of literature and the conclusions may be influenced by the fact that I took a qualitative stance. Knowledge of the field, experience and expertise of the researcher may also have influenced the literature selected and conclusions drawn. As the researcher in this study, I have more than 12 years' experience as portfolio manager, banker and credit manager in the financial service sectors of Namibia and South Africa. I also have theoretical and practical expertise in the field of management research. This theoretical and practical background knowledge assisted me to understand how the constructs could be used to explain bankers and their perceptions of sustainable banking. In addition, I attempted to enhance the credibility of this written work by using two peers to soundboard and validate my original theoretical ideas. Peer debriefing in qualitative research is completely acceptable and relevant for researchers with an interpretivist epistemology (Mouton 2015).

Ethical considerations

This article followed all ethical standards for research without direct contact with human or animal subjects.

Results

This study identified the dimensions of sustainable lending, risk management, and financial inclusion (a decade of publications presented in a table). The sources contained in Table 2 below are presented in chronological order and in the event of more than one author in a year, alphabetical order was followed:

By analysing the 25 papers in Table 2 below, various constructs were confirmed, being responsible lending, risk management and inclusivity one could refer to as themes.

TABLE 2: Dimensions and application of sustainable risk management and inclusivity.

Papers	Source	Dimensions of sustainable lending	Application
1	Licite & Smertjeva 2017	Inclusive capitalism	Value creation for all stakeholders
2	Gabr & ElBannan 2018	Loans are the primary source of income for banks	Banks are partners in sustainable economic growth
3	Kim & Katchova 2020	Basel III	Reform through the minimum capital requirement
4	Valls-Martinez, Cruz-RamAUD & Parra-Oller 2020	Ethical banking	Trust in the banking system is restored when banks engage in responsible lending and CSR
5	Chiu 2021	A holistic view is needed	Both profitability and value creation for stakeholders
6	Gaur, Mohapatra & Jena 2022	Bank sustainability	NPA's cause losses and sustainable banking depends on responsible lending
7	IODSA 2023	Sustainable development	King IV report on Corporate Governance
8	Kantor 2023	Capital adequacy and leverage	Responsible lending and maintaining the recommended minimum capital requirement
Papers	Source	Dimensions of risk management	Application
9	Keusch Bollen & Hassink 2012	Imperfect information	Credit decisions made in the absence of sufficient evidence
10	Abbes 2013	Improper evaluation	Over-confidence and self-serving bias
11	Barberis 2013	Imperfect information	Adherence to a professional code reduces the decision risk
12	Lunn 2013	Human element	Groupthink and behaviour convergence
13	Bekhet & Eletter 2014	Professional judgement	Conditions of complexity and ambiguity
14	Osei-Assibey & Asenso 2015	Improved governance	Reduced lending due to stricter reform
15	Bano 2017	Higher capital adequacy ratio	Banks may increase lending rates to reduce risk
16	Kim & Katchova 2020	Stricter reform	Bank supervision strictly enforced greater capital requirement
17	Mir-Artigues 2021	Decision making	Heuristics and personal preferences play a role in decision making effectiveness
18	Petracca 2021	Bounded rationality approach	Cognition and the environment influence decisions, not only rationality
Papers	Source	Dimensions of inclusivity	Application
19	Evans & Boguchwal 2014	Financial system excludes certain stakeholders	The youth are excluded from formal financial services
20	Motala 2015	Doctrines of apartheid	The youth are unable to change their poverty narrative
21	Govender 2016	Doctrines of capitalism	Inequality is structurally embedded
22	Maredza 2016	The unbanked have no access to formal financing	The unbanked are forced to use cash loans at high interest rates
23	Chitimira & Magau 2020	Access to banking is restricted	The unbanked are excluded from access to financing for projects
24	Chiu 2021	Inclusive capitalism	Banks should be prepared to take on society's social cost
25	Ma, Tan & Du 2022	Equitable wealth distribution	Reform has caused social inequality

Notably, very few papers on the human judgement in granting credit have seen the light in recent years, the most recent being that of Lunn (2013), indicating the discourse is not foremost in the minds of researchers, perhaps because the world has largely recovered from the 2008 global financial crisis. The narrative of responsible lending however, is still being pursued in some European, Asian and Latin American research (Salzmann 2013; Licite & Smertjeva 2017; Valls-Martinez, Cruz-RamAUD & Parra-Oller 2020), where legislation is strict about enterprise development. It does appear that the narrative in Europe has shifted to moral and ethical banking. In South Africa, the case for responsible banking seems to be driven by the King IV recommendations (IODSA 2023), though not yet through academic research.

Some state of mind is needed where technology and bank systems can meet human cognition in credit decisions. Governance is a vital component in banking, and good governance has seen a banking system in South Africa and Namibia that has largely survived international financial market volatility. However, in keeping with the sustainable development goals of the United Nations (IODSA 2023) we need to think wider than a single-minded focus on profitability and focus more on sustained value creation for all stakeholders. This narrative and direction are clear from the King IV report and its calls for a new thinking, which suggests that our joint attention should be on inclusive, rather than financial capitalism (IODSA 2023).

Therefore, based on these finding and the themes identified, a model may be suggested with a checklist of the human elements, such as judgement and cognition that take place during such decision making, and to guide bank credit givers when making decisions on credit granting. Such a tool may help bank credit committees reduce bias and group think, and find a balance between computer models and human judgement.

Implications and recommendations for managers

I positioned myself as a proponent of sustainable and inclusive practices in banking. In terms of that ontology, I offer my arguments and considerations from a speculative vantage point of what is possible if banking is performed sustainably and inclusively. South Africa and Namibia remain countries highly divided by class, yet both countries have achieved highly evolved banking practices that can rank among the best in the world. The sustained and long-term success of the banking industry in these two countries depend on whether banks can take a holistic and rounded view of the society in which they function.

Bank strategists, central bank policy makers and thought leaders are all faced with the ever-present challenges of the VUCA environment (volatility, uncertainty, complexity, and ambiguity), and a world which, while still experiencing the aftermath of the coronavirus disease 2019 (COVID-19) pandemic, was suddenly confronted with new tribulations

brought on by the war in the Ukraine (UNDP 2023). Notwithstanding technological advancement, the role of humans who are able to deal with complexity is very relevant in future decision making, in banking as much as in any industry. Ambiguity is perhaps the one aspect of the VUCA environment that is embraced by credit granters and borrowers alike. Another aspect of the VUCA environment is the ability to solve complex problems under conditions when the 'what' and the 'how' are unknown. Referred to as abductive reasoning (Shani, Coghlan & Alexander 2020) it is a cognitive skill bankers need when problems are complex and conceptual. Exploring the critical thinking skills and abductive reasoning among bankers may be a starting point for understanding how credit is granted under conditions of ambiguity and complexity. The future of banking will certainly be one where both systems and human cognition are important.

Conclusion and future research

This paper set out to study literature on banking challenges, centered on judgement, a social awareness and ethical decision making in granting credit, all amidst highly regulated bank supervision. The pressure is on to move to a mindset of sustainable banking, which considers the needs of banks to meet governance and supervision rules and the needs of stakeholders who need access to banking such that widespread value is created. The intermediation role of the banking system, which is so vital as tool, may well contribute to social success, finding solutions and participating in efforts to deal with poverty, unemployment, drought, urbanisation, and other global risks.

It is not clear if bankers, relationship managers, economist and officials responsible for bank supervision are aware of their critical role in achieving sustainable banking. Furthermore, the paucity of academic investigation into sustainable banking, suggests that there is scope for such discourse. Therefore, future empirical research is recommended among these parties, which may shed light and enhance our understanding of their stance on sustainable banking.

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Data availability

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