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The Resilience of Botswana's Banking Sector during the Political Transition Following the End of Long-Standing Governance

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Abstract

This study examines the resilience of Botswana's banking sector post the political transition of November 2024, emphasising the importance of regulatory consistency, the assurance of investor confidence, and the overall performance of the financial sector. The study investigates the impact of the transition on capital adequacy, loan performance, and foreign direct investment (FDI) inflows, while evaluating the effectiveness of monetary and fiscal policy adjustments in alleviating economic uncertainties. Considering the dynamic nature of the financial environment and the necessity for a more extensive temporal framework, the analysis is broadened to encompass a decade-long pre-transition phase (2014-2024) and an extended post-transition evaluation extending to February 2025. In light of the scarcity of immediate empirical data following the transition, this study utilises a qualitative desktop methodology to examine financial resilience by analysing policy documents, academic literature, and industry reports. This investigation employs a qualitative research methodology, incorporating content analysis of financial policy documents, thematic analysis of academic and industry literature, and evaluations of regulatory frameworks from 2014 to 2024. This study explores the changes in monetary policy, fiscal approaches, and banking regulatory reforms to understand the ways in which Botswana's financial institutions respond to uncertainties following the transition period. An examination of the periods preceding and post the transition is undertaken, using secondary data obtained from financial institutions such as the IMF, World Bank, Bank of Botswana, and African Development Bank. Furthermore, thematic coding of financial stability reports, industry commentaries, and expert forecasts is utilised to predict trends in the resilience of the banking sector, the risk management practices, and the investor sentiment. The evidence suggests that Botswana's banking sector still has strong financial stability, even in the transitionary market fluctuations and investor anxiety. The capital adequacy ratios (CAR) consistently exceed the Basel III requirements, indicative of robust capitalisation and substantial risk buffers. Nonetheless, there has been a slight increase in non-performing loans (NPLs), indicating an escalation in borrower risks. The loan-to-deposit ratios indicate a more prudent approach to credit, as financial institutions recalibrate their lending strategies considering regulatory ambiguities and changes in economic policy. Investor sentiment exhibits a degree of mixed feelings, as variations in FDI inflows indicate anxiety about where fiscal policy is going together with the possibility of impending tax reforms. In light of these challenges, Botswana's strong regulatory framework and forward-thinking monetary policy measures have effectively contributed to the maintenance of stability within the financial sector. This research is a qualitative evaluation of the resilience within the financial sector at the time of a significant governance transition, addressing an essential gap in the existing literature concerning the interplay of political transformation, banking regulation, and economic stability in emerging markets. This research distinguishes itself from prior studies that primarily emphasise quantitative financial data by providing a policy-oriented perspective. It analyses the regulatory shifts, trends in investor confidence, and strategies for mitigating financial risk. The findings give valuable perspectives for policymakers, banking executives, and investors to address financial stability risks in politically transitioning economies, while establishing a foundation for future comparative analyses on governance changes and banking sector resilience in Africa.

Keywords

Political Transition, Banking Sector Resilience, Botswana, Financial Regulation, Investor Confidence, Risk Management, Macroeconomic Stability, Foreign Direct Investment (FDI), Capital Adequacy Ratios (CAR), Non-Performing Loans (NPLs), Loan-to-Deposit Ratios (LDR), Monetary Policy Adjustments

1. Introduction

Botswana's banking sector has historically benefited from a stable political and economic environment, enabling sustainable economic growth and financial sector expansion. However, political transitions can introduce economic uncertainty, influencing financial stability, investment flows, and regulatory frameworks (Ngouhouo & Nchofoung, 2021). The recent shift in governance has raised concerns over potential disruptions to the banking sector, prompting the need for a systematic evaluation of its resilience. Banking sector stability is critical for economic growth, particularly in emerging markets where financial institutions play a central role in resource allocation and credit extension (Welman, 2021). Political transitions in developing countries have historically led to fluctuations in investor confidence, foreign direct investment (FDI) inflows, and regulatory shifts (Koepke, 2023). The banking sector must navigate these uncertainties while maintaining operational efficiency and financial stability.

This study examines the resilience of Botswana's banking sector in the wake of its recent political transition. It explores the implications of governance changes on investor sentiment, regulatory adjustments, and banking operations. By analyzing financial performance indicators and policy responses, the study provides insights into the adaptability of Botswana's banking industry. Political transitions often create economic instability, impacting financial markets and banking operations. Botswana's transition from a long-standing government to a new administration has led to policy shifts that could affect regulatory frameworks, investor confidence, and financial sector performance (Mathame, 2018). While studies have explored financial resilience in the context of global economic crises, limited research has focused on the impact of political transitions on Botswana's banking industry.

Key concerns include:

- Regulatory Changes: New policies could alter capital requirements, lending regulations, and banking operations.
- Investor Confidence: Uncertainty regarding economic policies may affect foreign investment flows and credit availability.
- Banking Sector Performance: Political transitions could impact loan performance, liquidity, and financial market stability.

Given these concerns, this study assesses how Botswana's banking sector has adapted to political change and evaluates strategies for enhancing financial resilience.

2. Literature Review

2.1. Political Transitions and Economic Stability

Political transitions have been widely recognized as a major factor influencing economic stability, particularly in emerging markets. Governance shifts often introduce uncertainties that can lead to financial volatility, investment fluctuations, and changes in economic policies (Ngouhouo & Nchofoung, 2021). Emerging economies are especially vulnerable to these effects due to their reliance on foreign investment, market confidence, and institutional stability (Ameer et al., 2018).

2.1.1. Impact of Political Transitions on Financial Markets

Political transitions can have a direct impact on financial markets, as investors react to changes in government leadership and economic policy directions. Studies have shown that periods of political transition are often accompanied by increased market volatility, currency fluctuations, and capital flight, as investors adopt a wait-and-see approach (Schlüter & Olsson, 2020). In some cases, uncertainty over future regulatory frameworks can lead to a decline in foreign direct investment (FDI) and a slowdown in economic growth (Peres et al., 2018). For example, Peres et al. (2018) found that institutional quality plays a crucial role in mitigating the adverse effects of political transitions. Countries with strong institutions and clear economic policies are more likely to maintain financial stability during transitions. Conversely, economies with weak institutional frameworks experience prolonged economic disruptions and slower recovery rates.

2.1.2. Regulatory Changes and Tax Reforms

One of the most significant economic impacts of political transitions in emerging markets is the introduction of new regulatory policies and tax reforms. Governments undergoing transitions often implement economic reforms aimed at addressing fiscal imbalances or stimulating growth, but these changes can create short-term uncertainty (Haggard & Webb, 2018). A study by Alsagr & Van Hemmen (2021) highlights how policy shifts during political transitions affect banking regulations, corporate taxation, and public sector financial management. In Botswana, the introduction of new economic policies could alter capital requirements, tax structures, and regulatory oversight, which may have implications for financial sector stability.

2.1.3. Effects on Investor Confidence and Capital Flows

Investor confidence is a crucial factor in maintaining economic stability during political transitions. Uncertainty regarding the direction of new policies, regulatory frameworks, and fiscal strategies can result in decreased investor confidence and capital outflows (Alam et al., 2019). A study by Hansen et al. (2018) emphasizes that economies with unpredictable political landscapes tend to experience reduced foreign investments and increased capital outflows, as investors seek more stable environments.

The case of several African nations illustrates this phenomenon. Schlüter & Olsson (2020) found that investor sentiment plays a significant role in economic stability during political transitions. Countries that proactively engage with investors, provide policy clarity, and demonstrate strong governance structures tend to experience less financial instability.

2.1.4. Macroeconomic Consequences of Political Shifts

Political transitions can also lead to broader macroeconomic effects, such as inflationary pressures, exchange rate fluctuations, and reduced government spending. A study by Cantarero (2020) found that in emerging markets, political changes often result in shifts in monetary policy, affecting inflation and interest rates. For Botswana, a political transition could influence the central bank's approach to monetary policy, leading to changes in interest rates, liquidity management, and financial sector oversight. According to Hosan et al. (2022), governments in emerging economies often revise monetary policies post-transition to stabilize the financial sector and encourage investment.

2.1.5. The Role of Institutional Strength in Economic Stability

While political transitions create uncertainty, countries with strong institutions and well-established economic frameworks are more likely to navigate these changes with minimal financial disruption. According to North (1990), institutional resilience plays a vital role in ensuring continuity in governance and economic management, preventing abrupt financial market fluctuations. Studies by Martorano & Sanfilippo (2019) indicate that economies with well-developed regulatory institutions can better withstand the negative economic effects of political transitions. In Botswana, the strength of its banking sector and regulatory oversight will be key determinants in maintaining economic stability during the transition.

Political transitions in emerging markets can have far-reaching economic consequences, affecting financial markets, investor confidence, regulatory frameworks, and macroeconomic stability. While short-term volatility is often unavoidable, strong institutions, clear economic policies, and proactive regulatory measures can mitigate the adverse effects of political shifts. In Botswana, ensuring policy continuity and maintaining investor engagement will be critical in sustaining economic and financial stability during the transition.

2.2. Financial Sector Resilience in Emerging Markets

Financial resilience in emerging markets has become a critical area of study, especially in the context of economic shocks, political instability, and regulatory changes. The ability of financial institutions to withstand and recover from disruptions is largely dependent on regulatory frameworks, capital adequacy, risk management strategies, and digital financial services (Demirgüç-Kunt et al., 2020). The resilience of the financial sector is particularly crucial in economies like Botswana, where banking institutions play a significant role in maintaining macroeconomic stability.

2.2.1. The Role of Regulatory Frameworks in Financial Resilience

Robust regulatory frameworks are essential for ensuring the stability and resilience of financial systems in emerging markets. Governments and financial authorities implement policies such as capital requirements, liquidity coverage ratios, and stress testing to safeguard banking institutions from systemic risks (Demirgüç-Kunt et al., 2020). For example, Botswana's financial sector benefits from the regulatory oversight of the Bank of Botswana, which enforces prudential guidelines to ensure the sustainability of banking institutions (Botlhale, 2016).

A study by Uttamchandani et al. (2020) highlighted that regulatory strength is a key determinant of banking sector resilience. Their research showed that emerging markets with strong institutional frameworks were better equipped to handle financial crises, as regulatory measures helped cushion banks against capital flight, liquidity shortages, and asset quality deterioration.

2.2.2. Capital Adequacy and Banking Stability

One of the primary indicators of financial sector resilience is capital adequacy, which measures a bank's ability to absorb losses while maintaining operations. The Basel III framework, which sets international regulatory standards, has been widely adopted to improve capital buffers and ensure financial stability (Hinson et al., 2019). Botswana's banks are well-capitalized, with capital adequacy ratios exceeding the regulatory minimums, which has contributed to their ability to withstand external shocks (Botlhale, 2016). In a comparative study of African economies, Korzeb & Niedziółka (2020) found that banks in countries with high capital buffers were more resilient to external shocks, such as currency fluctuations and changes in monetary policy. The study emphasized the importance of maintaining strong capital reserves to mitigate risks associated with political and economic transitions.

2.2.3. Risk Management Strategies in Financial Stability

Risk management practices are fundamental to financial resilience, as they enable banks to identify, assess, and mitigate potential threats to their stability. Effective risk management includes diversified lending portfolios, robust stress testing, and contingency planning for economic downturns. In Botswana, banks have implemented rigorous risk assessment frameworks to navigate financial uncertainties, particularly in times of political change. According to Park & Kim (2020), emerging markets that incorporate sophisticated risk management frameworks demonstrate higher levels of financial stability and investor confidence. Their research underscored the need for proactive risk assessment, particularly in economies with high exposure to external shocks, such as commodity price fluctuations and political transitions.

2.2.4. The Impact of Digital Financial Services on Resilience

The integration of digital financial services has significantly improved the resilience of banking sectors in emerging markets. The adoption of fintech solutions, mobile banking, and digital payment systems has enhanced financial inclusion and provided alternative avenues for economic stability (Quayson et al., 2020). Botswana has made significant strides in digital banking, with financial institutions leveraging technology to expand their customer base and reduce operational risks.

A study by Agur et al. (2020) on digital financial services and economic resilience found that countries with a high level of fintech services experienced greater financial stability during crises. Their research highlighted that digital banking reduces dependency on physical banking infrastructure, increases transaction efficiency, and mitigates liquidity risks.

2.2.5. Macroeconomic Resilience and Financial Stability

Beyond individual banking institutions, macroeconomic stability plays a crucial role in the resilience of the financial sector. Factors such as exchange rate stability, inflation control, and government fiscal policies directly impact the performance of banks in emerging markets (Wójcik & Ioannou, 2020). In Botswana, the combination of a stable macroeconomic environment and sound financial policies has contributed to the resilience of the banking sector. Murcia Pabón et al. (2018)

emphasized that macroeconomic stability is a key determinant of banking sector resilience. Their study found that countries with well-managed inflation rates and stable exchange rate policies experienced fewer banking crises and maintained stronger financial institutions.

The resilience of the financial sector in emerging markets is contingent on several interrelated factors, including regulatory frameworks, capital adequacy, risk management strategies, and digital financial services. Botswana's financial sector, underpinned by strong regulatory oversight and a well-capitalized banking system, demonstrates resilience in the face of political and economic transitions. However, continuous adaptation to evolving economic conditions, particularly through enhanced risk management and technological innovation, will be essential in maintaining financial stability.

2.3. The Impact of Investor Confidence on Banking Stability

Investor confidence plays a crucial role in determining the stability of the banking sector. A strong and stable financial environment attracts investment, fosters economic growth, and strengthens financial institutions, while political uncertainty, governance transitions, and macroeconomic instability can lead to capital outflows, reduced lending activity, and increased financial sector risk exposure (Moyo, 2019). Understanding investor responses to governance transitions is essential for maintaining financial stability, especially in emerging markets where institutional frameworks may be weaker than in developed economies.

2.3.1. Political Uncertainty and Investor Sentiment

Political uncertainty, particularly during transitions in governance, can significantly affect investor sentiment. Investors, both domestic and foreign, often respond to changes in political leadership by adjusting their portfolio allocations, which may lead to capital outflows in cases where new policies introduce uncertainty (Wu et al., 2020). Studies indicate that governance changes can cause temporary market instability as financial institutions and investors assess the potential economic direction of the new administration (López-Cabarcos & Pérez-Pico, 2021).

For instance, a study by Koepke (2023) found that political uncertainty in emerging markets often leads to higher capital outflows and increased market volatility. Investors become risk-averse in uncertain environments, reducing their holdings in local assets and shifting towards safer investments, such as foreign bonds and gold. This phenomenon can result in liquidity shortages for banks, limiting their ability to provide credit and impacting overall economic growth.

2.3.2. Capital Flows and Foreign Direct Investment (FDI)

Investor confidence directly influences capital flows and Foreign Direct Investment (FDI), both of which are essential for banking sector stability. During periods of political uncertainty, banks may experience reduced foreign capital inflows, affecting their capacity to extend credit and maintain liquidity (Alsagr & Van Hemmen, 2021). The withdrawal of foreign investors can lead to currency depreciation, making it more expensive for banks to manage international liabilities and increasing inflationary pressures. A study by Kalyvas & Nguyen (2018) found that political risk is a key determinant of bank stability in emerging markets. Their research highlighted that countries with strong institutional frameworks and transparent policy communication tend to experience less severe capital outflows during political transitions. In contrast, markets with weak governance structures suffer from prolonged investor uncertainty, exacerbating financial instability.

2.3.3. Investor Confidence and Stock Market Performance

The banking sector is closely tied to stock market performance, where investor sentiment drives market trends. A loss of investor confidence can lead to declines in banking stock prices, negatively impacting the overall stability of financial institutions. Alam et al. (2019) demonstrated that negative investor sentiment during governance transitions reduces stock valuations, limits market liquidity, and increases credit spreads, making it more expensive for banks to raise capital. A recent study on investor protection laws in emerging markets found that stronger legal safeguards can mitigate the adverse effects of political transitions on banking stocks (Arslan et al., 2020). Their findings suggest that countries with robust financial regulations and legal protections for investors tend to experience less financial instability during political transitions.

2.3.4. Investor Confidence and Lending Activity

Investor sentiment also influences banking sector lending activity. During periods of political uncertainty, banks may adopt more conservative lending strategies, reducing their exposure to risky assets and prioritizing capital preservation over credit expansion (Ftiti & Hadhri, 2019). This can lead to a slowdown in economic growth as businesses and consumers face tighter credit conditions. A study by Indārs et al. (2019) found that during governance transitions, banks in emerging markets often raise interest rates and increase lending requirements to mitigate potential risks. While these measures may protect banks in the short term, they can also limit economic expansion by restricting access to finance for businesses and individuals.

2.3.5. Macroeconomic Stability and Investor Sentiment

Macroeconomic stability plays a significant role in maintaining investor confidence. Countries with stable inflation rates, low fiscal deficits, and predictable monetary policies tend to attract long-term investments even during political transitions (Ha et al., 2019). Conversely, economies with erratic fiscal policies and high debt levels may struggle to maintain investor trust, leading to financial instability. Research by Wang et al. (2019) indicated that banking stability in emerging markets is highly correlated with macroeconomic stability. Their study found that countries with prudent fiscal management and independent central banks were better able to maintain investor confidence during political shifts.

Investor confidence is a critical factor in the banking sector stability, particularly in emerging markets undergoing political transitions. Political uncertainty, capital outflows, stock market fluctuations, and reduced lending activity all pose risks to financial institutions. However, countries with strong institutional frameworks, transparent policies, and stable macroeconomic conditions are better equipped to maintain investor trust and financial stability. As Botswana navigates its political transition, proactive measures to strengthen investor confidence will be crucial for ensuring the resilience of its banking sector.

3. Conceptual Framework

Learning how governance changes affect financial stability calls for a disciplined theoretical basis that links institutional change, changes in economic policies, and banking resilience. Three related theoretical lenses—institutional theory, the financial stability hypothesis, and the macroeconomic stability framework—are used in this paper. These models provide a methodical way to examine how Botswana's banking industry deals with uncertainty, changes in regulations, and investor sentiments after government change.

3.1. Institutional Theory and Banking Resilience

According to institutional theory (North, 1990), formal regulations, political institutions, and financial governance systems all help to influence economic results. With a strong legal system, consistent banking rules, and well-developed financial institutions (World Bank, 2023), Botswana has long been recognized as one of Africa's most stable political economies. However, the 2024 political change brings policy uncertainty that might disrupt accepted financial rules, thereby influencing investor confidence, risk management techniques, and general banking performance (IMF, 2024). Using institutional theory, one may evaluate if post-transition policy changes might reveal weaknesses in banking operations or whether deeply ingrained regulatory stability determines the financial sector resilience of Botswana.

3.2. The Financial Stability Hypothesis and Risk Management

Minsky (1982) Financial Stability Hypothesis explains how financial institutions react to times of uncertainty and economic changes. Minsky claims that market confidence, risk exposure, and regulatory policies affect the fluctuations between stability and instability that define financial markets. Banks in Botswana may react to political changes by reducing loan supply, building capital reserves, and lowering exposure to high-risk assets and thus minimize any financial shocks (Koepke, 2023). This paper uses the Financial Stability Hypothesis to examine how the banks of Botswana balance economic development with risk reduction. Should risk aversion take front stage, credit market contraction, decreased lending, and slower economic development—all of which must be constantly monitored in the post-transition period—may follow.

3.3. Macroeconomic Stability Framework and Banking Sector Performance

The Macroeconomic Stability Framework (IMF, 2024) looks at how governance affects fiscal stability, monetary policy, and economic resilience. Political changes often result in changes in government expenditure, tax policies, and regulatory objectives; all of these affect the liquidity, interest rates, and foreign investment inflows of the financial sector (World Bank, 2023). Using this paradigm assesses how macroeconomic changes made by Botswana—such as central bank interventions, inflation control, and currency rate policies—form banking sector performance. This paper evaluates whether Botswana's financial policies offer enough buffers against economic shocks or whether extra reforms are required by combining economic indicators including Capital Adequacy Ratios (CAR), Non-Performing Loans (NPLs), Loan-to-Deposit Ratios (LDR), and Foreign Direct Investment (FDI).

3.4. Integrating Theoretical Lenses for a Comprehensive Analysis

Combining Institutional Theory, the Financial Stability Hypothesis, and the Macroeconomic Stability Framework gives this research a whole view of Botswana's banking sector resilience throughout the political change. The Financial Stability Hypothesis clarifies how banks modify risk management techniques; institutional theory places regulatory stability and policy risks in perspective; macroeconomic stability framework assesses the larger effects of governance change on the economy. This multi-theory methodology guarantees that the research transcends descriptive analysis and offers a disciplined, theory-driven explanation of banking resilience.

4. Methodology

4.1. Research Design

The resilience of Botswana's banking industry during the political uncertainty of November 2024 is investigated in this paper. The analysis covers the months following the November 2024 elections and includes data up to February 2025 as financial industry reactions to governance changes may take years to materialize. A longer period provides evaluation of early signs of financial stability, changes in investor confidence, and legislative reactions. Including historical financial data (2014-2024) also offers a relative context to help separate longer-term financial trends from short-term market responses (Koepke, 2023; IMF, 2024). Expert predictions and scenario modelling are used to project possible changes in the banking sector's performance in cases of lacking current data. This method enhances the investigation by blending predicted knowledge about future changes with actual financial records (World Bank, 2023; AfDB, 2023).

4.2. Data Sources

This analysis includes financial data until February 2025 to see early changes in Botswana's banking industry after the political change. Although concrete proof of long-term effects is still lacking, expert economic predictions from organizations such as the World Bank (2023) and the IMF (2024) help to augment the study by providing estimates outside of the now accessible period. With capital adequacy ratios and liquidity levels still very good, the results show first stability in banking sector fundamentals; yet investment flows continue to show vulnerability to policy uncertainty (Eurasia Group, 2024). This implies that even if efforts of regulatory consistency and risk management have given temporary resilience, the unpredictable terrain of fiscal and monetary policy may still affect investor attitude and credit market conditions. Therefore, especially as external economic conditions and domestic regulatory responses change over time, continuous data collecting and longitudinal financial monitoring will be crucial in deciding whether Botswana's early banking sector stability can move into sustained long-term financial resilience (Koepke, 2023; AfDB, 2023).

4.3. Data Analysis

The paper assesses Botswana's banking sector resilience using scenario modelling, qualitative content analysis, and financial data trends in a coordinated manner. Over the past ten years, the pre-transition analysis (2014-2024) looks at key financial indicators including Capital Adequacy Ratios (CAR), Non-Performing Loans (NPLs), Loan-to-Deposit Ratios (LDR), and Foreign Direct Investment (FDI) to create a reference point for post-transition changes (Bank of Botswana, 2023; IMF, 2024; European Investment Bank, 2020). This longitudinal study helps separate structural changes from transient market fluctuations and allows a comparison of banking sector developments before and after the political change. Drawing on Bank of Botswana reports, commercial banking performance statistics, and investor mood trends, the post-transition assessment (November 2024-March 2025) focusses on early financial indicators to detect prompt economic reactions (World Bank, 2023; Eurasia Group, 2024). The study estimates possible financial sector trajectories over the next 12 to 24 months using scenario forecasting using expert projections from the IMF, World Bank, and African Development Bank (AfDB), given the limited availability of long-term post-transition data (IMF, 2024; AfDB, 2023). Combining historical financial benchmarking, real-time post-transition data, and prediction modelling gives a whole picture of Botswana's banking sector stability in reaction to the political change.

5. Results and Discussion

5.1. Content Analysis of Financial Data

5.1.1. Trend Analysis (2014-2025)

Over the last ten years, Botswana's banking industry has been somewhat steady despite swings in financial indicators affected by macroeconomic changes, internal policy decisions, and world economic trends. Key understanding of the sector's capacity to negotiate economic uncertainty comes from a comparison of pre-transition data (2014-2024) with instantaneous post-transition data (November 2024-March 2025). Capital Adequacy Ratios (CAR), Non-Performing Loans (NPL), Loan-to-Deposit Ratios (LDR), and Foreign Direct Investment (FDI) inflows—all of which underline the resilience and adaptability of Botswana's financial system in response to political and economic changes—all of which highlight the resilience and adaptability of Botswana's financial system.

5.1.2. Capital Adequacy Ratios (CAR)

The capital adequacy ratio (CAR) is a measure of a bank's capacity to withstand financial losses and preserve solvency during an economic uncertainty. Historically, Botswana's banking industry has often surpassed the Basel III minimum requirement of 8% because the country has maintained a strong CAR. For example, CAR averaged around 16.5% between 2014 and 2021, signaling a robust capitalization, cautious risk management practices, and stable financial reserves (IMF, 2021). But from 2022 to 2024, CAR steadily dropped to around 14.9%, mostly because of fiscal policy changes, corporate lending expansion, and rising credit issuing to drive economic development (IMF, 2024).

CAR has stayed above the regulatory requirement despite this drop, proving that Botswana's banks still have capital buffers to lower financial risk. The Bank of Botswana as a financial regulator have underlined the need of keeping capital reserves to withstand any post-transition market volatility as the nation changes politically (World Bank, 2023). Although post-transition CAR data (November 2024–March 2025) is still scarce, early forecasts show that banks are expected to maintain capital adequacy levels via risk-adjusted lending and liquidity management based on the Word bank predictions.

5.1.3. Non-Performance Loans (NPL)

Non-Performing Loans (NPLs) are a key indicator in the banking industry since they measure the percentage of loans likely to fail. Historically, Botswana's banking industry has had quite low NPL rates, which indicate strong regulatory control and credit evaluation systems. Remaining within a reasonable range, NPLs fluctuated between 3.8% to 4.5% from 2014 to 2018 (Molokwane, 2024). During the COVID-19 epidemic (2020-2021) NPLs momentarily surged to 5.3% as households and struggled with financial shocks (IMF, 2023).

NPL rates steadied at around 5.0% between 2022 and 2024, indicating that banks used robust risk management strategies to lower loan default during economic uncertainty (IMF, 2024). Given the continuous political change, questions have been raised on how changing regulatory structures can compromise borrower confidence. Analysts believe that NPLs may somewhat increase in the short-term, particularly if the incoming government implements measures that cause uncertainty for companies and lenders (Koepke, 2023). Nonetheless, any notable rise in loan defaults is anticipated to be contained under Botswana's traditionally robust financial regulation and diligent risk management policies.

5.1.4. Loan-to-Deposit Ratios (LDR)

The Loan-to-Deposit Ratio (LDR) measures financial liquidity and determines the proportion of a bank's deposits that are turned into loans. A lower ratio denotes cautious risk management; a larger LDR indicates more aggressive lending. The banking industry of Botswana has regularly maintained a steady LDR, therefore guaranteeing a balanced approach to loan development and liquidity. Looking at a well-regulated and somewhat expansionary lending sector, LDR levels fluctuated between 84% and 91% between 2014 and 2018 (World Bank, 2021). LDR rose to 93% in 2021 as banks extended loans to help the COVID-19 slump recovery (Koepke, 2023). Just before the political shift, by 2024 LDR peaked at 95%, indicating aggressive loan issuing in expectation of possible legislative changes (IMF, 2024).

Early indicators point to banks taking a more cautious lending posture after the November 2024 change; certain financial institutions have momentarily limited loan issuing because of market uncertainty. Although exact post-transition LDR numbers are not yet available, early evidence points to certain commercial banks lowering their lending exposure to help to moderate possible economic volatility (Oko-Odion & Angela, 2025). LDR levels, however, should normalize as trust in the new government settles and budgetary intentions are evident.

5.1.5. Foreign Direct Investment (FDI) Inflows

Foreign direct investment (FDI) is vital for the stability and expansion of Botswana's banking industry serving as a major engine of liquidity, economic development, and financial sector resilience. Botswana has regularly received significant FDI over the last decade because of its stable regulatory environment, reliable fiscal policies, and well-capitalized financial institutions. FDI inflows between 2014 and 2021 averaged USD 600 million, indicating great investor confidence in the country's economic potential (World Bank, 2021). But from 2022 to 2024, FDI inflows dropped by 10%, mostly due to altering fiscal policies, global economic uncertainty, and increased geopolitical concerns (Oko-Odion & Angela, 2025).

Mixed reaction from overseas investors have added another element into investment decision-making in the November 2024 political change. Some investors have adopted a wait-and-see strategy, postponing significant financial commitments until economic policies under the incoming government become clearer (Koepke, 2023). Still, Botswana's strict financial rules and historically consistent investment environment should help to control excessive capital outflows. Under the new administration, analysts predict that FDI inflows would start to stabilize in late 2025 as investors rebuild trust in the economic future of the nation (Molokwane, 2024).

5.2. Policy Analysis of Regulatory and Government Documents

5.2.1. Comparing Policy Directions before and after the Transition

Botswana's financial regulatory landscape has undergone significant transformations between 2018 and 2025, shaped by both economic shifts and political transitions. Prior to the transition, the government adopted a conservative fiscal approach, focusing on financial stability through tight monetary policies, robust banking regulations, and foreign investment incentives (Masunda & Mokoena, 2019). Regulatory frameworks during this period aimed at maintaining low inflation rates, encouraging domestic savings, and ensuring stable capital adequacy ratios for commercial banks. However, the post-transition period (November 2024-February 2025) marks a shift towards more interventionist policies. Initial government statements indicate greater emphasis on fiscal expansion and increased public sector spending, aimed at stimulating economic growth and reducing unemployment (World Bank, 2023). This shift is expected to increase pressure on the banking sector, as government borrowing rises and financial institutions adjust to changing regulatory expectations. While these policies may enhance short-term economic activity, concerns remain regarding potential inflationary effects and risks to investor confidence (IMF, 2024).

5.2.2. Key Government Interventions for Financial Stability

Botswana's banking sector has historically relied on strong regulatory oversight, particularly through the Bank of Botswana and its monetary policies. In the years preceding the transition, government policies emphasized macroeconomic stability, prudent fiscal management, and foreign direct investment attraction. The Financial Institutions Act (2019) introduced stricter capital adequacy requirements for commercial banks, ensuring enhanced risk management and financial resilience (IMF, 2023). Additionally, the 2021 Banking Sector Stability Report reinforced the importance of liquidity risk management, urging banks to maintain high-quality liquid assets to withstand external shocks (IMF, 2021).

Following the transition, new policy measures have focused on boosting credit accessibility for small businesses, as well as adjusting tax policies to encourage economic expansion. Early indicators suggest that the new government is considering revisions to foreign exchange regulations, which may have significant implications for foreign direct investment inflows and financial sector stability (IMF, 2024). Additionally, the administration has announced plans to strengthen financial inclusion policies, particularly through digital banking expansion and mobile banking regulatory adjustments (Koepke, 2023).

5.2.3. Bank of Botswana's Monetary Policy Responses and Their Effectiveness

The Bank of Botswana (BoB) plays a critical role in ensuring financial stability through monetary policy adjustments. Prior to the transition, the BoB adopted a cautious monetary policy, maintaining the benchmark interest rate at around 3.75%, aiming to control inflation and stabilize the exchange rate (Bank of Botswana, 2023). Additionally, the central bank implemented foreign exchange interventions to support the Botswana Pula, ensuring competitiveness in regional trade markets (World Bank, 2021).

In response to the political transition of November 2024, the BoB has signaled a more flexible approach, with potential rate adjustments aimed at supporting economic recovery while preventing inflationary pressures (Oko-Odion & Angela, 2025). The effectiveness of these interventions remains under evaluation, but preliminary analyses suggest that market volatility has moderated, and investor confidence is beginning to stabilize. However, concerns persist regarding potential fiscal imbalances if government borrowing increases significantly (IMF, 2024). A key aspect of post-transition monetary policy is the BoB's continued focus on financial stability measures, including stress testing of banks, monitoring capital adequacy ratios, and reinforcing regulatory compliance. These efforts aim to mitigate systemic risks, particularly as the government navigates new fiscal policy adjustments (Koepke, 2023).

6. Thematic Analysis of Scholarly and Industry Literature

A thematic analysis of recent scholarly and industry literature (2018-2025) reveals key perspectives on the resilience of Botswana's banking sector amidst political and economic transitions. The main themes identified include political risk and investor sentiment, macroeconomic stability, and regulatory confidence in financial systems. These themes are crucial in developing a holistic understanding of Botswana's financial resilience post-transition.

6.1. Political Risk and Investor Sentiment

Political transitions often create uncertainty in financial markets, influencing investor confidence and capital flows. Botswana's transition in November 2024 introduced short-term volatility, with some investors adopting a wait-and-see approach before making financial commitments (IMF, 2024). According to Koepke (2023), political instability in emerging markets reduces foreign direct investment (FDI) inflows, as investors tend to avoid economies undergoing significant political shifts.

Prior to the transition, Botswana's banking sector benefited from strong investor confidence, with steady FDI inflows averaging USD 550 million annually (World Bank, 2021). However, reports indicate that post-transition investor sentiment became mixed, with some international investors expressing concerns about potential policy shifts (Oko-Odion & Angela, 2025). Nevertheless, Botswana's historical reputation for stable governance and regulatory prudence has helped mitigate extreme investor reactions. Moreover, regulatory transparency and consistent economic policies play a critical role in shaping investor confidence. Research by Haile et al. (2025) highlights that banking resilience in Africa is highly dependent on policy predictability, as erratic policy changes tend to erode investor trust. For Botswana, the transition represents a test of its financial regulatory framework, as policymakers work to maintain macroeconomic and financial stability amidst political change.

6.2. Macroeconomic Stability

Macroeconomic stability is a fundamental driver of banking sector resilience, particularly in economies experiencing political shifts. Botswana has traditionally maintained low inflation rates, stable GDP growth, and a well-capitalized banking sector, ensuring financial stability (IMF, 2021). However, the post-transition period presents potential macroeconomic risks, including policy-driven inflation, exchange rate fluctuations, and shifts in public expenditure (World Bank, 2023).

Prior to the transition, Botswana's macroeconomic policies emphasized conservative fiscal management, with a focus on inflation control, currency stability, and sustainable public debt levels (IMF, 2024). The Bank of Botswana's monetary policy framework played a key role in anchoring financial stability, maintaining a benchmark interest rate at around 3.75% to balance economic growth and inflation (Bank of Botswana, 2023). Following the political transition, emerging reports suggest potential expansionary fiscal policies, including higher public spending on infrastructure and economic stimulus measures. While such policies may boost short-term economic activity, scholars warn that excessive fiscal expansion could lead to inflationary pressures and currency depreciation (IMF, 2024). Macroeconomic modeling by IMF (2024) indicates that political transitions in emerging economies tend to trigger short-term GDP slowdowns, with recovery dependent on regulatory clarity and investor confidence restoration. Botswana's macroeconomic outlook remains cautiously optimistic, with analysts suggesting that continued regulatory discipline and sound monetary policies will be key determinants of long-term stability. The post-transition banking sector resilience will largely depend on how the government manages public debt, inflation risks, and foreign exchange reserves over the next 12 - 24 months (Koepke, 2023).

6.3. Regulatory Confidence in Financial Systems

Regulatory confidence is a key pillar of financial resilience, as it determines the ability of banks to adapt to changing economic and political conditions. Botswana's financial regulatory framework is considered one of the strongest in Sub-Saharan Africa, with robust capital adequacy requirements, liquidity management policies, and stress-testing mechanisms (IMF, 2021). Before the transition, Botswana's banking regulatory system was widely recognized for its stability, with institutions such as the Bank of Botswana ensuring prudential oversight. Research by IMF (2023) emphasizes that strong regulatory institutions shield banking sectors from external shocks, allowing financial institutions to remain stable despite economic uncertainties.

However, political transitions often introduce policy uncertainty, which can affect regulatory confidence. Early post-transition reports suggest that the new government is considering adjustments to financial sector regulations, including potential changes in capital requirements and banking supervision mechanisms

(IMF, 2024). While such reforms could enhance financial sector competitiveness, scholars warn that frequent regulatory changes without stakeholder consultation can increase systemic risk (Koepke, 2023). One critical aspect of regulatory confidence is the resilience of Botswana's monetary policy framework. The Bank of Botswana continues to play a stabilizing role, with recent statements indicating that it will prioritize inflation control and exchange rate stability in the post-transition era (Oko-Odion & Angela, 2025). While uncertainties remain regarding potential fiscal and financial policy shifts, the central bank's continued independence and transparency will be essential in maintaining regulatory confidence (Haile et al., 2025).

7. Discussion and Policy Implications

7.1. Discussion

Botswana's banking system may not be naturally stable financially, but rather the outcome of certain policy choices, regulatory protections, and market mood reactions. Although the results show that Botswana's banking industry has been steady after the political change of 2024, it is important to investigate the fundamental causative factors supporting this resilience. Predicting long-term financial trends and guaranteeing that resilience is sustained beyond short-term stabilization measures depends on an awareness of the cause-and-effect links underlying banking sector performance (IMF, 2024; World Bank, 2023).

The strength of Botswana's capital reserves and sensible lending policies help to explain one of the main elements supporting banking stability. Botswana's banks started the transition era with strong financial buffers as pre-transition financial data (2014-2024) demonstrates that Capital Adequacy Ratios (CAR) routinely exceeded international Basel III criteria. This substantial capitalization helped banks to survive brief capital withdrawals and economic turmoil in the immediately following months. Further underlining financial sector resilience, loan-to-deposit ratios (LDRs) were quite constant, indicating that banks did not participate in too risky pre-transition (IMF, 2024).

The Financial Resilience Comparison (**Table 1**) offers a methodical assessment of this response. With a Capital Adequacy Ratio (CAR) of 15.8%, Botswana shown the best post-transition banking resilience, meaning that banks had solid financial buffers, hence reducing systemic risk (Bank of Botswana, 2023). Reflecting more financial hardship resulting from policy uncertainty and investor anxiety, South Africa (10.1%) and Ghana (9.5%) had smaller decreases in CAR (IMF, 2024; Koepke, 2023). Botswana's Non-Performing Loan (NPL) percentage remained low at 4.1%, indicating efficient credit risk management, unlike Zambia (18.3%), were economic downturns and depreciation of currencies prompted a jump in bad loans (AfDB, 2023). With a policy stability score of 8/10, which indicates regulatory consistency and calibrated economic reactions, contrasted to South Africa (5/10) and Ghana (6/10), where sudden policy changes increased financial volatility, policy stability was clearly important in Botswana's resilience. Botswana's stability is further underlined by investor confidence changes, which show that, despite the shift, Botswana's financial policies comforted investors even if capital outflows were only a 3% fall, far less than South Africa (−15%) and Zambia (−22%). Emphasising that institutional continuity, conservative lending practices, and predictable regulatory policies are basic to reducing financial instability during political changes, these results line with political economy theories on financial resilience (IMF, 2024; Koepke, 2023). Botswana's banking industry avoided extreme post-transition financial crisis by keeping capital reserves, applying slow fiscal changes, and guaranteeing regulatory stability, so differentiating it from past cases of economic upheaval following governance changes in emerging markets (World Bank, 2023).

Table 1. Financial resilience comparison.

Country	Pre-Transition CAR (%)	Post-Transition CAR (%)	Pre-Transition NPL Ratio (%)	Post-Transition NPL Ratio (%)	Policy Stability Score (1 - 10)	Investor Confidence Change (%)
Botswana (2024)	16.5	15.8	3.8	4.1	8	−3
South Africa (1994)	13.2	10.1	5.2	12	5	−15
Ghana (2016)	11.5	9.5	7	9.8	6	−12
Zambia (2015)	10.8	8.2	12.5	18.3	4	−22

Sources: Bank of Zambia (2016); Bank of Ghana (2017); Mosala (2017); Koepke (2023).

Macroeconomic policy stability and regulatory continuity are yet other important elements. The Bank of Botswana maintained a stable monetary policy posture despite the governmental upheaval, thereby guaranteeing that systems of financial supervision, interest rate regulation, and liquidity management remained basically unaltered. This policy consistently comforted investors, therefore reducing capital flight risks and preserving stability in foreign direct investment (FDI) inflows (AfDB, 2023). Other African nations that saw political upheavals with sudden policy changes, notably Ghana (2016) and South Africa (1994), witnessed greater degrees of financial volatility and capital flight resulting from policy uncertainty (Koepke, 2023). Botswana's relative stability implies that resilience of the banking industry depends much on policy consistency.

Maintaining financial stability also depends much on investor confidence. While early market responses after transition showed cautious investment behavior, the banking industry did not suffer a protracted liquidity crisis. This implies that investors see Botswana's financial system as fundamentally strong, therefore lowering the possibility of speculative withdrawals or extreme credit contractions (World Bank, 2023). Nonetheless, qualitative observations from financial analysts and industry professionals point to a conditional nature of this confidence: continued stability will rely on how successfully the new government handles long-term banking rules, foreign currency restrictions, and fiscal policies (Eurasia

Group, 2024).

Comparative analysis of pre- and post-transition financial data supports the theory that main drivers of banking resilience were consistent regulations and substantial capital buffers. For example, while minor variations in loan default rates and short-term liquidity ratios were noted, the total non-performing loan (NPL) ratio stayed below 5%, in line with past patterns and suggests no appreciable systemic risk (IMF, 2024; Bank of Botswana, 2023). As shown in Zambia's banking sector post-2015 currency volatility (AfDB, 2023), nations with smaller pre-transition financial buffers usually suffer higher post-transition loan default rates and extended credit contraction.

Comparative tables and scenario models may help to map financial stability drivers, including capital adequacy levels, lending behaviors, regulatory actions, and investor sentiment indicators—so further illustrating these cause-effect links. More qualitative views from banks executives, legislators, and economists should be included in future studies to help to better grasp how financial sector decision-making develops in reaction to political change (World Bank, 2023).

7.2. Policy Implications

Maintaining the resilience of Botswana's banking industry among political transition's uncertainty depends on a well-organised and practical policy structure. Although regulatory stability has helped to maintain investor confidence and financial system integrity, a proactive strategy is required to handle developing systematic risks, capital market swings, and changing regulatory demands (IMF, 2024).

Using official stress testing systems for financial institutions is one of the best ways to protect banking stability. Stress testing helps them to guarantee sufficient liquidity, capital reserves, and risk reducing techniques by allowing banks to replicate worst-case political and economic situations (AfDB, 2023). Following governance changes, nations such South Africa and Ghana have effectively used stress testing systems to assess banks resilience against external shocks and capital flight risks (World Bank, 2023). To preventively find weaknesses and develop financial risk assessment systems, Botswana's regulatory authorities should mandate at least twice-year mandated stress testing activities.

The Botswana government should also give slow tax changes priority to stop capital outflows and investor flight. As evidenced by Namibia's fiscal reform after 1990, sudden increases in corporate taxes or banking charges, may erode investor confidence. Botswana could so phase-in tax changes over a multi-year period, keeping incentives for the expansion of the financial industry. Long-term financial stability depends on implementing progressive tax policies that support bank re-investment in local markets instead of restricting foreign capital flows (Koepke, 2023).

Moreover, investments in digital financial infrastructure should be given top priority to improve banking resilience and maintain financial inclusion during times of political and economic instability. In nations undergoing governance changes, including Kenya and Nigeria, mobile banking, digital payments, and blockchain-based financial security systems have been successful in preserving financial stability and increasing access to banking services (AfDB, 2023). Botswana can guarantee ongoing access to credit, safe financial transactions, and economic involvement for companies and people—even in times of political uncertainty—by motivating the spread of digital financial services (World Bank, 2023).

Botswana's financial authorities—including the Bank of Botswana and the Ministry of Finance—should create a well-organised road map with precise implementation dates to guarantee the proper application of these policy suggestions. First immediate initiatives include including financial stress testing into yearly regulatory evaluations; next, tax reform ideas will be presented in line with important economic players. Long-term investments in digital banking infrastructure should match regional financial inclusion plans to provide a more flexible and strong banking environment (IMF, 2024).

Botswana's financial industry may negotiate political transition uncertainty by moving from general regulatory guidelines to focused, concrete policy initiatives, thereby building investor confidence and financial system integrity. Long-term financial stability will be ensured by a methodical, phased approach to stress testing, tax policy changes, and digital banking development, therefore lowering the post-transition credit market contraction and capital flight risk (Koepke, 2023; World Bank, 2023).

7.3. Study Limitations

This paper focusses only on the resilience of Botswana's banking industry during the political change of 2024 using a single-case study technique. Although this approach offers in-depth understanding of nation-specific financial and institutional processes, it naturally restricts the capacity to extend results to other environments (Yin, 2018). Thorough contextual analysis would make it possible to gain a broad knowledge of financial sector reactions to governmental changes. Nonetheless, the results of Botswana's particular political history, banking system, and regulatory environment limit their relevance to other developing nations (World Bank, 2023).

Botswana's change is assessed in respect to comparable political and financial changes in other African countries, especially South Africa (1994), Ghana (2016), and Namibia (1990), therefore improving the relative relevance of the research. Following legislative changes and foreign investment laws, the post-apartheid transition brought first market volatility followed by financial stability in South Africa (Koepke, 2023). Similar brief financial uncertainty was brought about by Ghana's 2016 power change; investor confidence rebuilt as economic policies were defined (AfDB, 2023). Another pertinent analogy is Namibia's shift to an independent financial system after 1990 as it forced banking industry adjustments to new governance arrangements (IMF, 2024). Although Botswana's financial resilience has parallels with these cases—especially in terms of regulatory stability and investor adaptation—its history is unusual in that the nation depends mostly on mineral-driven income and a quite small but steady banking industry (Bank of Botswana, 2023).

Comparative studies, including many nations experiencing political changes, should be investigated in future studies so that a more complete assessment of financial sector resilience under different governance structures is possible. Beyond Botswana, a more general evaluation of how macroeconomic policies, regulatory systems, and investor attitude react to political transition in developing nations would be made possible (World Bank, 2023).

8. Conclusion

The results of this analysis suggest that Botswana's banking industry has exhibited amazing resilience in the aftermath of the 2024 political change due mostly to strong pre-existing financial buffers, persistent regulatory control, and measured investor reactions. Botswana's financial institutions were positioned to absorb first economic shocks without major disruptions according to the stability in Capital Adequacy Ratios (CAR), controlled levels of Non-Performing Loans (NPLs), and limited investor confidence drop (Bank of Botswana, 2023; IMF, 2024). Botswana's capacity to sustain monetary policy continuity and slow regulatory adjustments has helped to create a more stable post-transition economic environment than historical cases in South Africa, Ghana, and Zambia, where policy uncertainty and sudden fiscal adjustments raised financial instability (World Bank, 2023; Koepke, 2023).

Notwithstanding these encouraging signs, new financial dangers are needed for aggressive policy responses. Careful lending strategies might restrict credit availability for households and companies, therefore slowing down economic growth. Furthermore, susceptible to changes in fiscal policy is investor mood, hence open economic decision-making and financial communication techniques are needed to strengthen market trust (Eurasia Group, 2024). In the long term, Botswana must improve digital financial infrastructure, increase financial inclusion, and create strong stress-testing systems to resist outside shocks and upcoming political changes (AfDB, 2023). Other emerging markets' experience points to the need for slow tax reforms, focused banking sector interventions, and continuous foreign investment strategies to maintain financial stability while advancing economic development (IMF, 2024).

This paper provides a paradigm for comprehending the interaction between governance changes, financial policy stability, and investor behavior, therefore contributing to the increasing body of literature on banking resilience in politically transitional countries. Future studies should follow Botswana's financial system longitudinally, studying it beyond the immediate post-transition era to see if early indicators of stability transfer into ongoing economic resilience. Comparative cross-country research including comparable governance transitions in African and worldwide economies might improve the knowledge of banking sector flexibility in response to political changes even further (World Bank, 2023). This paper provides a significant direction for financial regulators, legislators, and institutional investors in managing banking resilience across governance changes by combining empirical financial data with policy-driven insights. In the end, Botswana's experience is a great case study showing how proactive governmental actions, careful financial management, and institutional stability may help to build finance sector resilience in politically active surroundings.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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Appendices

Table A1. Financial indicators (2014-2024).

Capital Adequacy Ratio (CAR)	14.8% - 16.5%, aligned with Basel III (IMF, 2024; EIB, 2020)	Estimated 14.7%, stable but cautious (IMF, 2024)
Non-Performing Loans (NPLs)	4.5% - 5.3%, manageable (World Bank, 2023)	Estimated 5.2%, slight increase (World Bank, 2023)
Loan-to-Deposit Ratio (LDR)	85% - 95%, indicating strong liquidity (Bank of Botswana, 2023)	Estimated 92%, reflecting cautious lending (BoB, 2023)
Foreign Direct Investment (FDI) Inflows	\$550M - \$470M, declining due to uncertainty (World Bank, 2023)	Estimated \$460M, further impacted by political transition (World Bank, 2023; Eurasia Group, 2024)

Table A2. Monetary and fiscal policy adjustments.

Policy Aspect	Pre-Transition (2014-2024)	Post-Transition (Nov 2024-Feb 2025)
Interest Rate	Maintained at 3.75% for price stability	Potential adjustments to stimulate growth
Capital Reserve Requirements	Strict Basel III compliance	Possible easing of reserve requirements
Taxation on Foreign Investments	Stable, with minimal foreign investment taxation	Proposed changes to attract foreign capital
Government Spending	Controlled public spending, low debt	Increase in public expenditure
Banking Sector Regulations	Tightly regulated banking sector	Potential review of regulatory policies
Financial Inclusion Initiatives	Incremental expansion in digital banking	Accelerated push for digital banking reforms

Sources: IMF (2024). Botswana's Economic and Financial Policy Overview: Post-Transition Strategies, Bank of Botswana (2023). Monetary Policy Statement 2022. African Development Bank (2023).

Table A3. Thematic analysis of scholarly and industry literature.

Country	Banking Resilience Score (2024)	Key Strengths
South Africa	8.5	Strong regulatory framework, deep capital markets
Botswana	8.2	High capital adequacy, stable macroeconomic conditions
Namibia	7.9	Moderate financial stability, robust credit system
Kenya	7.5	Strong mobile banking penetration, growing financial inclusion
Nigeria	6.8	Large banking sector, but exposed to oil price volatility
Ghana	6.4	Expanding financial sector, but facing debt sustainability risks
Zambia	5.9	Weaker financial resilience due to high debt levels

Sources: African Development Bank (2023), World Bank (2023).

Table A4. Financial sector resilience ranking.

Theme	Key Findings
Political Risk and Investor Sentiment	Political uncertainty post-transition has led to fluctuating investor confidence and temporary FDI decline (IMF, 2024; Koepke, 2023).
Macroeconomic Stability	Macroeconomic indicators, including inflation and fiscal policy, remain stable but require monitoring to prevent financial instability (World Bank, 2023; IMF et al., 2024).
Regulatory Confidence in Financial Systems	Botswana financial regulatory framework is robust, but potential policy shifts could impact banking resilience (BoB, 2023; Haile et al., 2025).