

Ithala Development Finance Corporation

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About the Institution

The Ithala Development Finance Corporation (IDFC) provides financial services and manages one of the largest property portfolios in KwaZulu-Natal (KZN). The IDFC is a provincial government business enterprise and reports to the KZN Member of the Executive Council (MEC) for Economic Development, Tourism and Environmental Affairs (EDTEA).¹ In 2024/25, the IDFC had a total loan book value of R1.033bn and a property asset portfolio valued at R3.7bn.² IDFC's subsidiary, Ithala Bank State-Owned Company (SOC), is facing severe financial problems and the possibility of liquidation.

Flag Status

1	2	3	4	5	6	7	8	9
								
Improper appointments	Co-opting key functions	Climate of fear or favour	Corrupt awards	Financial malpractice	Obstructing accountability	Manipulating perceptions	Private gain	Shadow network

ISS Analysis

- ACTis has raised six flags for the IDFC.
- Many signs suggest a system of state capture may be operating at IDFC, which has significant access to capital.
- The abuse of the bank's loan-making business is enabled by weak financial controls and protected by those entrusted with oversight, many of whom may be benefiting. A similar pattern has unfolded at IDFC's subsidiary, Ithala Bank.
- IDFC's failure to properly oversee Ithala Bank has harmed its clients, including 257 000 depositors and 76 000 South African Social Security Agency (SASSA) grant recipients who have struggled to access their funds.³
- The South African Reserve Bank's (SARB) continued involvement at Ithala Bank, together with Special Investigating Unit (SIU) investigations, may reveal more about systemic abuse at the IDFC, including who may be driving it.
- If state capture has been present at the IDFC and its subsidiary for some time, it will be difficult to reverse without significant and urgent reform.



Flag raised



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Findings

Flag #1

Improper Appointments



The flag is raised because of concerns about the appropriateness of the governing body and administrative head.

- In October 2021 and August 2025, respectively, the Public Servants Association (PSA) and National Education, Health and Allied Workers' Union (NEHAWU) trade unions laid formal grievances against IDFC Group Chief Executive Officer (GCEO) Pearl Bengu for irregularly appointing senior managers (including the Divisional Manager of Human Capital and the Divisional Manager of Supply Chain).⁴ The grievances are consistent despite different membership bases and complaint dates. Bengu is specifically accused of favouring individuals linked to SASSA, where she previously worked. Both trade unions have demanded investigations.⁵
- The new Board, which began its term on 1 February 2026, lacks finance expertise and experience. ACTis' benchmark requires at least one-third of Board members to have expertise and experience in the institution's core sector. As a finance development bank, the Board should have members with banking and lending expertise, credit risk capability and financial markets or treasury experience. Only one member, Professor Denisha Jairam-Owthar, has experience in a development finance institution, but his expertise lies in information technology management.⁶ The rest of the Board have experience in public-sector governance, legal practice and infrastructure. The previous Board's term ended in November 2025.⁷
- One Board member, James Sikhosiphi Nxumalo, is a politically exposed person. Nxumalo is a senior politician in the African National Congress and the South African Communist Party. He was Mayor of eThekweni from 2011 to 2016 and is currently a member of the provincial legislature (MPL) for KZN.⁸

Flag #4

Corrupt Awards



The flag is raised due to a pattern of awarding favourable contracts to related parties.

- The SIU is investigating the IDFC and Ithala Bank over irregularities in a 2018 contract to supply integrated banking services.⁹
- The Repayment Administrator SARB hired to administer Ithala Bank's deposit-taking business has uncovered questionable lending practices at both Ithala Bank and IDFC. The two institutions' loan businesses are intertwined, with Ithala Bank serving as the front end for applications and IDFC administering and disbursing funds.¹⁰



Flag raised



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Under monitoring

- Loans have been extended to 300 of the combined 1 000-strong staff complement of Ithala Bank and IDFC. Many staff members have more than one loan. This equates to an average loan of around R700 000 per staff member.¹¹
- Extending loans to IDFC's Board, shareholder department (the KZN EDTEA) and MPLs for KZN constitutes a conflict of interest, as these entities oversee the institution. The loans were valued at R53m in 2024, of which around R11.7m (22%) was in arrears. The average interest on the loans was 5.1%, which appears highly favourable given that it was below inflation and far lower than the average prime lending rate of around 11% in 2024.¹²

Flag #5

Financial Malpractice



The flag is raised due to questionable financial management.

- The SARB's Prudential Authority found subsidiary Ithala Bank SOC insolvent; the full financial impact on the IDFC group is currently unclear.¹³ This is partly because the IDFC refutes the SARB's claim that Ithala Bank is insolvent, and its 2024/25 annual financial statements reflect management's own accounting judgement.¹⁴
- The IDFC reported a net loss of R310m for 2024/25. When declaring that 'deterioration in performance is primarily attributable to impairment charges relating to the investment in Ithala SOC', the IDFC is stating that its asset – Ithala SOC – has lost value, and that the R310m loss primarily reflects a valuation loss. However, operational losses also stem from IDFC's own lending business, with non-performing loans (NPLs) accounting for 61.7% of the loan book at the end of 2025.¹⁵
- On a group basis, the IDFC's material impairment allowances totalled R691.81m on loans and advances and R446.47m on trade and other receivables in 2024/25. This reflects losses in both the parent institution and the subsidiary, including credit losses, rent or interest not collected and the decline in Ithala SOC's value. This is equivalent to 17% of the IDFC's asset base of R6.56bn.¹⁶
- Internal audit and risk assurance are conducting internal investigations into allegations of irregularities in procurement, lending and appointments between 2022 and 2025. Three are reportedly completed, while 48 were still underway as of 2 April 2026, according to the Auditor-General of South Africa's (AGSA) report.¹⁷
- Despite the high number of alleged irregularities, the AGSA has reported no issues with internal controls at the IDFC, nor any Material Irregularities.¹⁸



Flag raised



Flag lowered



Under monitoring

Flag #6

Obstructing Accountability



The flag is raised due to a pattern of failing to demonstrate accountability.

- Those responsible for overseeing IDFC (such as MPLs for KZN, KZN EDTEA and the previous IDFC Board), many of whom benefit from loans from the institution, have failed to scrutinise its governance practices, including loan-making, adequately.¹⁹
- IDFC has performed poorly in overseeing governance, risk management, and the regulation of banking practices at Ithala Bank.²⁰ Because lending operations at the two entities are intertwined, the IDFC is directly responsible for lapses at Ithala Bank.
- IDFC was late in filing its annual financial statements for 2024/25. These were due by the end of September 2025 but were only published in April 2026.
- Since 2022, internal investigations into key areas such as loans and advances, supply chain and human resources have progressed slowly, with only three of 51 cases completed.²¹

Flag #7

Manipulating Perceptions

While there were insufficient findings to warrant raising the flag, the following should be noted.

- In its 2024/25 Annual Report, the IDFC continued to attribute responsibility for Ithala Bank's financial deterioration primarily to the actions of financial authorities and to deny that Ithala Bank is insolvent.²² This directly refutes the SARB's findings, which found Ithala Bank insolvent and responsible for its insolvency.²³
- However, in March 2026, KZN's Executive Council identified 'serious governance and fiduciary lapses' at Ithala Bank and reportedly wants to implement 'consequence management'.²⁴

Flag #8

Private Gain



The flag is raised because indications suggest the same set of actors may be benefiting unduly.

- IDFC's shareholder representatives, Board, management and employees, as well as MPLs for KZN, have benefited from favourable loans from both the IDFC and Ithala Bank.²⁵



Flag raised



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Under monitoring

- GCEO Bengu's remuneration increased by almost 40% over the course of a year, from R3.52m in 2023/24 to R4.9m in 2024/25.²⁶ In comparison, the median increase for the Top 200 companies on the Johannesburg Stock Exchange (JSE) was 8% in 2025, according to PricewaterhouseCoopers (PwC).²⁷
- Total remuneration for the IDFC Board also increased by approximately 19%, from R5.1m in 2023/24 to R6.1m in 2024/25.²⁸ The National Treasury approved a 4.1% increase for the accounting authorities of public entities to keep pace with inflation. PwC reported the median increase for non-executive directors' remuneration for the JSE's Top 200 was 12% in 2025.²⁹
- The average remuneration per IDFC Board member increased from R568 000 in 2023/24 to R657 000 in 2024/25 (19%).³⁰ This is higher than the JSE Top 200 median of R481 000 per Board member, and almost on a par with the Top 50 of R678 000. No publicly available information explains the premium paid to IDFC Board members.³¹

Flag #9

Shadow Network



The flag is raised because the same set of actors consistently appears across other flags.

- Those responsible for Ithala Bank's failure are also receiving favourable loans and higher remuneration than industry norms.
- Extending loans to members of the IDFC's Board, the KZN EDTEA, MPLs for KZN and over 10% of Ithala Bank's staff conflicts with serving the best interests of both the IDFC and Ithala Bank.



Flag raised



Flag lowered



Under monitoring

Recommended Actions

	DUTY BEARER	ACTION(S)	ASSOCIATED FLAGS
1.	Ithala Development Finance Corporation Board	- Invite external authorities to provide an independent assessment of IDFC's financial and operational well-being.	Flag #5: Financial Malpractice
2.	KwaZulu-Natal Provincial Treasury	- Assess the NPLs and solvency of Ithala Bank SOC, and the total impact on IDFC's financial well-being. - Investigate IDFC's high level of NPLs and material impairments to establish whether excessive risk-taking, insufficient due diligence or irregular approval processes are present and need to be addressed. - Request that IDFC provide an explanation for the high level of remuneration increases in 2024/25.	Flag #4: Corrupt Awards Flag #5: Financial Malpractice Flag #8: Private Gain
3.	Special Investigating Unit	Apply for the scope of the current investigation to be expanded to include loan-making practices and any other financial activities, such as investments. Focus on related-party transactions.	Flag #4: Corrupt Awards Flag #5: Financial Malpractice
4.	The Public Protector	Investigate senior appointments made under GCEO Pearl Bengu's tenure to assess whether proper processes were followed.	Flag #1: Improper Appointments
5.	KwaZulu-Natal Economic Development and Tourism Portfolio Committee	- Require the EDTEA to justify the lack of financial expertise on the newly appointed Board. - Require the EDTEA to explain whether they identified the risks related to having a politician on the Board, and how those risks will be managed. - Demand that EDTEA share results from internal investigations into irregularities in procurement, lending and appointments. - Require an explanation from the EDTEA MEC for the high level of increases in remuneration at the IDFC and why this was approved.	Flag #1: Improper Appointments Flag #8: Private Gain



Flag raised



Flag lowered



Under monitoring

The 9 Flags

Flag #1

Improper Appointments

Improper appointments, dismissals or failure to remove individuals in senior positions may be used to drive a corrupt agenda.

Flag #4

Corrupt Awards

Contracts, licences, partnerships, loans and/or investments may be awarded irregularly and repeatedly benefit the same actors.

Flag #7

Manipulating Perceptions

A public narrative that frames misconduct as innocence may be promoted.

Flag #2

Co-opting Key Functions

Informal control may be established over critical functions within the institution to abuse them.

Flag #5

Financial Malpractice

The institution's financial management practices may be abused to advance a corrupt agenda.

Flag #8

Private Gain

Illicit gains may be distributed to benefit the same actors.

Flag #3

Climate of Fear or Favour

The working culture favours loyalty over duty; alignment with a corrupt agenda is rewarded, and resistance is punished.

Flag #6

Obstructing Accountability

The institution's internal operations might be deliberately obscured to hide potential misconduct.

Flag #9

Shadow Network

The same public and private actors may collude to gain control over an institution's assets and functions, benefiting repeatedly.

About ACTis

What is ACTis?

The Anti-Corruption Tracker Information System is an initiative of the Anti-Corruption and Accountability Project at the Institute for Security Studies. It provides analysis on corruption and state capture in South Africa, to inform early intervention and enforcement. It utilises a system of indicators and an AI-driven data-collection and analysis tool, validated by human experts. It identifies risks within individual government institutions and produces actionable recommendations to address them, with a view to disrupting patterns of state capture and corruption.

Findings are shared directly with government and other duty-bearers, civil society organisations, the media and the public, empowering authorities to intervene, strengthening accountability, and enabling citizens activism.

Links to ACTis Information:

Further project information may be found at the following links:

[Terms and Definitions](#)

[Project Methodology and Analytical Framework](#)

[About the Anti-Corruption and Accountability project](#)

[About the Institute for Security Studies](#)

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