

Central Bank of Lesotho

Capital Flows Survey

Prepared by
F.L. Selialia and K.J. Tlali

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Preface

This survey was commissioned by the Central Bank of Lesotho in order to identify factors that may influence customers of local commercial banks who are resident in Lesotho, to open bank accounts in the RSA or to invest in the RSA. This was in view of the fact that ever since the signing of the Common Monetary Area (CMA) agreement in the early eighties, no study was ever undertaken to assess the impact of the agreement permits capital mobility within member countries. The survey is therefore

meant to assess the implications of the agreement to local financial institutions. In particular, to identify factors that may influence customers of local commercial banks resident in Lesotho to open bank accounts in the RSA. The survey results are also meant to lay a basis for a review of policies in the financial sector in Lesotho. The secondary objective is to collect data on socio-economic characteristics of the customers of local commercial banks.

The result of the survey are based on

the data collected between April 22 and May 30 1996. This report

to the general managers of local commercial banks for their support and assistance both during the planning stage and when the survey was being implemented. Interviewees are also thanked for their cooperation during the interviewing process.

Though this report remains the publication of the Central bank of Lesotho, author's remains responsible for ideas expressed and any errors that could be identified.

was prepared by Messrs F.L. Selialia and K.J. Tlali both of the Research Department of the Central Bank of Lesotho. Mr F.L. Selialia was responsible for the over-all design and planning of the survey while Mr K.J. Tlali was responsible for data processing. Useful inputs were received from the whole team of the Research Department and the Management of the Bank. Mr Mpeka from the Bureau of statistics was very helpful during the early stage of the survey. The efforts of interviewers responsible for data collection are also duly noted.

Last but not least, special thanks should go

Introductory Remarks

This volume contains the results of the Capital Flows Survey between Lesotho and the Republic of South Africa (RSA) given the Common Monetary Area (CMA) agreement. The results are divided into two main parts. Part 1 gives the main results of the survey which address the primary objectives of the survey. These are; to identify factors that influence residents of Lesotho to open accounts with the South African banks, to identify important factors that influence decision-making and choice for customers of local commercial banks to invest either locally on in South Africa, to identify portfolio preferences in order to assess

whether local investors prefer financial instruments which are currently non-existent in Lesotho, to estimate the proportion of local bank's customers who have bank accounts in the RSA and to estimate the proportion of local bank's customers who have bank accounts in the RSA and to estimate the proportion of local bank's customers who are planning to open bank accounts in the RSA in the near future.

Part 2 addresses the secondary objectives of the survey. This part gives an analysis of the socio-economic conditions of the customers of local commercial banks. Simple correlation analyses are carried out. These analyses focus on relationships

Executive Summary

- About 25 per cent of the customers of domestic commercial banks reported that they have bank accounts in the RSA.
- About 38 per cent reported that they do not have bank accounts in the RSA and they do not intend to open them in the future.
- The remaining 37 per cent reported that they do not have bank accounts in the RSA and they do not to open them in the future.
- About 22 percent of local commercial banks' customers revealed that they have investments in the RSA.
- When a separate analysis of businesses was carried out, about 22 per cent of businesses revealed that they have bank accounts with RSA in the future. The main reason given was that of enhanced convenience due to close dealings with the RSA followed by a wider variety and higher quality of products and services offered by the RSA banks.
- About 19 per cent of local businesses which are customers of local commercial banks reported that they plan to open bank accounts in the RSA in the future. The main reason given was that of enhanced convenience due to close dealings with the RSA followed by a wider variety and higher quality of products and services offered by the RSA banks.
- About 21 per cent of local businesses reported that they have investments in the RSA. The main reason for investing in the RSA was that if enhance convenience due to close dealings with the RSA followed by higher returns in the RSA financial institutions.
- An overwhelming majority of businesses reported that they opened bank accounts in Lesotho for safekeeping of money. The second main reason given was that of facilitating business transaction (convenience due to proximity with Lesotho banks).
- For individuals, about 26 per cent reported that they have bank accounts in the RSA and the main reason was that of enhanced convenience due to close dealings with the RSA. the second main reason was that of wider variety and higher quality of products and services offered by the RSA banks.
- About 43 per cent of individuals reported that they intend to open bank accounts in the RSA in the future. The main reason given was that of a wider variety and higher quality of products and services offered by the RSA banks. Other major reasons were better customer service and higher returns in the RSA bank.
- About 23 per cent of individuals reported that they have investments in the RSA. An overwhelming majority of those who invest in the RSA reported that it was because of higher returns in the RSA. The other main reasons were that of size and better prospects of the RSA economy and convenience due to close dealings with the RSA.
- Majority of individuals reported that they opened bank accounts in Lesotho for safekeeping of money. The second main reason given was that of convenience due to proximity with Lesotho banks.

□ Authorities in the domestic banking system should pay particular attention to these reasons for formulating policy in the future.

1.0 General Background

Lesotho is a member of the Common Monetary Area (CMA). Other members are the Republic of South Africa (RSA), Swaziland and Namibia. Under the agreement, member countries maintain a fixed nominal exchange rate between their currencies and capital is allowed, in principle, to move freely within the region. The bilateral agreement between Lesotho and RSA provides for RSA currency, the Rand, to be legal tender in Lesotho.

Before the Union of South Africa was formed, the British ruled all parts that today form Botswana, Lesotho, Swaziland (BLS) and the RSA. British Pound was introduced. Botswana (then Bechuanaland), Lesotho (then Basutoland) and Swaziland did not join the Union. These three countries were then to be referred to as the High Commission Territories (HCTs) and the colonial regime hardly made any effort to initiate and promote economic advancement in these three countries. As a result of economic dependence on the Union of South Africa, the South Africa Pound was then made a legal tender in the HCTs as well. In 1961, the South African Rand replaced the South African Pound and the former became a legal tender in the HCTs. The HCTs therefore, were subjected to the actions of the South African Reserve Bank (SARB)

which had been established in 1921.

In 1972, the monetary issue talks between BLS countries and the RSA started and were concluded in 1974 with the Rand Monetary Area (RMA) Agreement. Among other things, RMA provided for BLS contracting parties to issue their own currencies which would be legal tender each within own territory only and were to circulate *pari passu* with the South African Rand. Each currency was to be 100% backed by the South African Rand and was to be pegged at par with the South African Rand.

In 1986, the RMA was replaced by the Common Monetary Area (CMA) Agreement. This was a set of three agreements. There was a Trilateral Agreement and within the context of that Trilateral Agreement were two Bilateral Agreements, one between the RSA and Swaziland and the other between the RSA and Lesotho. In case of Lesotho, up to 35% of foreign exchange acquisitions could be retained and used as seen appropriate. The Central Bank of Lesotho and its role were also formally recognised by all contracting parties. Among the features of the Agreement were:

1. issuing of national currency (whilst

the rand remained legal tender);

2. the freedom for each member country to manage its gold and foreign reserves;
3. free flow of funds for current and capital account transactions within contracting parties.

Of crucial importance for this exercise is item iii. which is incorporated in Article 3 of the Agreement. Our concern is to make an assessment of the flow of funds from Lesotho to South Africa and the implications of this to domestic financial institutions. In 1989, further changes in the CMA were agreed upon. On the part of Lesotho, backing of the maloti could be in any of the major currencies or the Rand and Lesotho could retain 100% of foreign exchange earnings.

Under the CMA arrangement, there are virtually no restrictions on the movement of funds between Lesotho and South Africa. However, each bank is required by law to maintain minimum local assets amounting

to not less than 85 per cent of its aggregate value of its liabilities to the public in Lesotho and its required paid-up and reserve account.

Ever since the signing of the CMA agreement in the early 80s, no study was ever undertaken to assess the impact of the agreement on the day-to-day operations of local financial institutions. This survey is therefore, among other things, aiming at assessing the implications of the agreement to local financial institutions with regard to the movement of funds between Lesotho and the RSA.

1.1 **The need for the Survey**

The Government of Lesotho by choosing to join the CMA has, by so doing indicated that it subscribes to the principle that capital should flow to any country where it would earn the highest returns. It rejects, again by implication, the notion that its national interest. Thus, instead of attempting to administratively control movements of capital the viable alternative given Lesotho's membership in the CMA, would be to seek to eliminate distortions that could lead to long-term capital outflow or lower than optimal capital inflows. interests can be best served by attempting to control long-

term capital flows. It subscribes to the notion that returns will dictate the general

In this regard, it is imperative for the government to ascertain: (i) the factors that can lead to long term capital outflows or lower than optimal capital inflows and (ii) whether its economic policies are making the optimal use of the membership of the CMA.

Under certain neoclassical conditions such as the existence of perfectly competitive markets, absence of externalities and prohibitive regulatively higher returns and the process would continue until returns within the entire region are equalised.

When dealing with capital flows between countries, a distinction should be made between real and financial investment. Real investment refers to investment in capital equipment (machines, Factory buildings etc.) while financial investment includes investments in stocks and shares. In this survey, concentration is on financial investment. The aim among other things is to determine the extent to which monetary policy, and in particular, interest rate policy can influence the extend of financial flows into and out of the country. The main assumption made being that interest rates in

direction of movement of long-term

the CMA are given. Under these circumstances, economic theory would suggest that a rise in domestic capital. Thus, a rise in domestic rates of interest can be seen as being capable of inducing an increase in net capital. In other words, a rise in the domestic rates of interest could be seen as opening up a differential over foreign rates of interest and hence encouraging capital inflow. The capital inflow is hypothesised to depend positively on the rate of interest.

However, capital is not a homogeneous product. One can distinguish capital in terms of the maturity of financial contracts i.e. short-term and long-term capital. Financial instruments such as treasury bills, bankers acceptances, and promisory notes fall in the former category. Although these broad types of capital generally move in search of higher returns, the underlying factors determining returns to each category of capital tend to differ.

Returns to short-term capital are much more responsive to transitory factors mainly changes in monetary policies, news of mergers and take-over, and political events. As a result, movements in short-term

capital tend to be short-lived and massive. Returns to long-term capital on the other hand are more responsive to persistent factors such as inflationary trends and other long-term capital is quite slow and gentle in responding to changes in returns.

It is widely believed that movements of short-term capital can render monetary policy ineffective along the lines suggested by the famous Mundell-Flemming model. Indeed, the fact that monetary policy is ineffective in a small open economy relies crucially on the assumption of perfect capital mobility. Perfect mobility of short-term capital can be said to be undesirable in so far as it denies member countries the ability to implement independent monetary policy.

Thus, from the Lesotho Central Bank's point of view, two crucial issues arise concerning short-term capital. The first concerns the need to ascertain the extent to which short-term capital so mobile. Secondly the bank needs to know the factors that may give rise to short-term capital movements. The results of this survey will benefit both the Central Bank and commercial banks in Lesotho about future direction their policies.

1.2 Objectives of the Survey

By virtue of being in a common monetary area, Lesotho's financial sector is well integrated with that of RSA. However, Lesotho's financial sector is, comparatively, under-developed. It is believed that, among other reasons, it is this asymmetry that causes imbalances in financial flows between the two countries. Being a watchdog of the country's financial system, the Central Bank has been pursuing a policy that seeks to ensure that local interest rates move in line with those in South Africa in order to render local markets competitive. Moreover, the authorities in the domestic financial sector have been undertaking financial sector reforms since 1988. These reforms are among other things, aimed at improving performance through more market-oriented policies in the areas of monetary control, efficiency of financial intermediation and safety and soundness of the financial system. A brief overview of the financial sector reform measures undertaken to date is given in section 1.3 below. Notwithstanding, there still exists a strong feeling that there is a net outflow of savings to South African banks. To this end, the

Central bank has felt that there is a need to conduct a survey that will seek to solicit local commercial banks customer's sentiments about factors that influence their choice to bank either locally or in South Africa.

Specific objectives of the Survey therefore, are:

1. To identify important factors that influence decision-making and choice for local commercial bank's customers to invest either locally or in South Africa, or important factors that influence residents of Lesotho to open accounts with the South African banks or other deposit-taking financial institutions.
2. To ascertain portfolio preferences in order to assess whether local investors prefer financial instruments which are currently non-existent in Lesotho.
3. To estimate the proportion of local bank's customers who have bank accounts in the RSA.

4. To estimate the proportion of local bank's customers who are planning to open bank accounts in the RSA in the near future.

1.3 An overview of the Financial Sector Reforms in Lesotho

Financial sector reforms in Lesotho were initiated in 1988 and are still largely ongoing. These reforms implemented alongside other wider reforms are geared towards improving economic performance, that is, to accelerate growth with price stability and external viability. The main objective of these reforms was a move towards an efficient market economy whereby the economic role of the public sector is limited to providing support to private sector activity. Finally, the reforms are undertaken under the International Monetary Fund (IMF)-supported adjustment programs, and with significant technical assistance provided by the Fund and other agencies (see table 1 below).

Table 1. Fund-Supported Adjustment Programs, 1988 to date

Program	Dates
SAF Arrangement	June 1988-June 1991
ESAF Arrangement	(1) July 1991-March 1994(2)
Stand-by Arrangement	April 1994-March 1995
Stand-by Arrangement	April 1995-March 1996

The financial sector reforms are aimed at improving performance through more market-oriented policies in three broad areas: monetary control, efficiency of financial system. Possible improvements in monetary control with the ultimate goal of contributing to the reduction of inflation, are primarily related to the switch from direct to indirect monetary policy instruments, a switch that is also perceived as necessary to establish a more market oriented financial system. Other measures which are also directed towards inflation control, the public enterprises, and structural reforms even in the labour market. However, the legal cocirculation of the South African rand in Lesotho hampers the authorities' control of money supply and hence, inflation. The problem is further

Stand-by Arrangement	April 1996-March 1997
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Source: Central Bank of Lesotho

1. SAF is structural adjustment facility
2. ESAF is enhanced structural adjustment facility.

compounded by the fact that a substantial proportion of the country's inflation is imported from South Africa because of close economies.

Some of the major financial sector reform measures undertaken since 1988 are given below.

The Government amended the Deferred Pay Act of 1979 in order to facilitate the formation of a Board of Trustees by end-March 1989 to manage the Deferred responsibility of investing migrant mine worker's remittances as well as improving financial incentives to the miners. However, the establishment of the Board was delayed and was not completed until end-March 1991. Also, compulsory contribution to the Miner's Deferred Pay Fund was reduced from 60 to 30 per cent of their wages.

An export financing scheme administered by the Central Bank was launched in September 1988. The effort will increase the flow of credit to productive investment and exports by reducing credit risks to commercial banks. The scheme began operating at the end of March 1990.

The government committed itself to the establishment of a stock/capital market before end-December 1991 through the reactivation of the LNDC mutual trust. This was considered central to the financial sector reform program. The introduction of a rudimentary equity market was expected to facilitate the privatisation program of the government by providing a mechanism through which public share offerings can be made available to investors. As a result, Lesotho Investment Holding (LIH) was restructured in order to enable it to play the dual role of a capital market maker (by encouraging local savings to be channeled into equity investment), and to a limited extent, of a brokerage firm. However, due to disagreements with minority shareholders this plan was abandoned.

The Central Bank established the auction market for treasury bills in April 1992. The auctions continued to be carried out quarterly until December 1993 when the

frequency of auction was increase from quarterly to monthly. The endeavour represented a substantial liberalization of interest rates. With the exception of the savings deposit rate all interest rates were now market determined and were positive in real terms. The Central Bank continued to set an indicative minimum savings rate. the commercial banks set their own savings rates at the minimum or frequently above the minimum.

The Central Bank issued its commercial paper in December 1994 in order to supplement the supply of treasury bills. the development was expected to further enhance financial intermediation and financial savings. The Central bank commercial paper, which since its introduction, was seen as augmenting treasury bills by further deepening the money market as well as mopping up excess liquidity in the commercial banking system was withdrawn in 1996. this was to discourage commercial banks from regarding this instrument as an attractive alternative to direct lending. As a result, commercial banks were encouraged to be more aggressive and less risk averse and expand credit to the private sector for productive rather than consumptive purposes. the authorities urged that the

notion of lack of [bankable] projects was exaggerated in view of the government efforts in enhancing the advisory capacity of the Basotho Enterprises Development Corporation (BEDCO) and the Business Advisory Promotion Service (BAPS).

The monetary authorities undertook to encourage links between the informal rural credit associations and the formal financial institutions along the lines of similar developments in South Africa at the beginning of 1994/95. To this end, the Central bank established a Rural Finance Unit in 1995, as a link between the Rural Finance and Enterprise Support Project and the beneficiaries, that is, the rural savings and credit groups. the Central Bank role in this regard was to monitor and supervise rural financial intermediaries and study rural financial markets with a view to devising new strategies for effective and efficient intermediation.

In this survey, the population consisted of commercial banks' customers with current accounts. Lists of banks, namely, Standard Chartered, Stanbic and Lesotho bank. Only current account holders were settled. Reasons for selecting only current account holders were selected. Reasons for

However, as indicated earlier, despite all these there still exists a strong feeling that there is a net outflow of savings to South African banks. Hence the need for the survey in order to (i) ascertain whether there is a net outflow and (ii) to investigate factors responsible for the outflow.

1.4 Target Population

In this survey the target population consisted of customers of the three commercial banks with current accounts.

1.5 Sampling Issues

In most surveys, the decision on sample size is largely governed by the way the results are to be analysed. That is, the breakdown to be made in the final tabulations. In most cases, a larger sample than necessary make the results more precise than had been intended and it is therefore safer to err in that direction.

selecting only current account holders were selected. Reasons for selecting only current account holders were as follows:

- to eliminate students
- to target at people who earn income (in

order to open a current account one must meet certain conditions such as set minimum income per month).

- because current account holders are active participants in the banking business

Stratified sampling was applied and bank's customers were grouped into three main categories namely; (i) individuals (households), (ii) small to medium businesses and (iii) corporate businesses. In stratifying, proportional allocation was applied.

With regard to individuals, systematic sampling was applied. Customers were interviewed at the banks and were picked from the queues. for the other two categories, each item (customer) was assigned a number and the numbers were drawn by means of a random number tables.

In total 1 357 people were interviewed out of 14 684 people. As per cent, 9.2 per cent was interviewed.

However, the percentage is likely to be higher than 9.2 given the fact that some customers appear in the loss of more than one bank. That is, the population is likely to have been overestimated.

1.6 Scope of Survey

Initially the survey was planned to cover only two districts namely, Maseru and Leribe. This decision was based on two reasons:

- Maseru and Maputsoe towns are the two main industrial areas in Lesotho and have many businesses and hence many people who are employed.
- Those two towns are neighbouring two South African towns namely, Ladybrand and Ficksburg, which have advanced banking services/products.

Later the scope was extended to cover three other districts in the lowlands namely, Berea, Mafeteng and Butha-Buthe.

1.7 Limitations of the Survey

1. Coverage error - coverage error is likely to be present due to incomplete sampling frame. The sampling frame was incomplete as those people who have bank accounts only in the RSA (those who do not have bank accounts in Lesotho) were not included in the

population. it was difficult to include them as prior arrangements with South African commercial banks would be necessary to get names and physical addresses of such people. It is however believed that this is a very small proportion.

2. Magnitudes of funds not known-in this survey, amounts that people have in the RSA banks are not shown. Magnitudes could not be included because experience showed that people are very reluctant to disclose their financial assets especially with foreign banks.

Future research should therefore focus at capturing those residents of Lesotho who have bank accounts only in the RSA and to devise ways and means of estimating or obtaining the magnitudes of funds with RSA banks.

1.8 Concepts and Definitions

- include both corporate and small/medium businesses:

Individuals

- any customer with a personal bank

The following concepts and definitions were adopted regarding classification of bank's customers. it should be noted however, that these definitions vary from bank to bank:

Corporate business

- any business with a turnover of M6 million per annum or a requirement for total facilities in excess of M250 000.00 (for some banks);
- any good customer with a turnover of more than M1 million per annum:

Small/medium business

- any business with a turnover of less than M6 million per annum or required facilities of less than M250 000.00 (for some banks);
- any business with a turnover of less than M1 million per annum for some banks.

Businesses

account.

2.0 Organisation of Survey Activities

Nuclear Staff

In this survey, the nuclear staff consisted of:

- an overall survey director or planner
- data processing specialist
- field work supervisors
- interviewing staff

The overall director/planner was, amongst others, responsible for:

- planning of the overall survey programme
- establishment of priorities and setting of timetables for implementation of programmes
- allocation of resources and personnel among programmes and functions
- planning of tabulations and
- administrative work in general

The data processing specialist's main responsibilities were:

- determination of the basic data processing approach
- development of computer programmes
- transference of survey data from questionnaires to machine-readable form

- other duties related to data processing.

2.1 **Publicity and Public Relations**

As a survey programme requires the cooperation of the public, it is only reasonable as well as important that an effort should be made to inform the public about it in advance. Though there is no guarantee that the word will reach all those who may be involved, the effort is nevertheless important. While in some instances publicity created suspicion and advanced hostility, other experiences indicate that advanced notification can create a more favourable atmosphere for the interviewer even if respondents did not understand everything that was publicised in advance.

In this survey, publicity was done through Radio Lesotho and Lesotho Television. As indicated above, the idea was to inform the public about the survey. During interviews, interviewers made references to radio and television announcements.

2.2 **Design of the Questionnaire**

The first draft of the questionnaire was designed by the survey director in line with

the objectives of the survey and the envisaged tabulation programme. The second draft followed after consultation with other economists of the Bank. The final draft was produced after pilot-testing.

2.3 Tabulation Programme

In this survey, there were no formalised tabulation guidelines. The overriding principle for the tabulation plan was to show correlation between the variables.

2.4 Pre-testing

□ to assess the feasibility of the survey itself.

In total, thirty-three people were interviewed during the pre-testing and were selected from the three categories, namely, individuals, small to medium businesses and corporate businesses in Maseru.

2.5 Some Practical Problems Encountered

These are some of the problems encountered during the interviewing process:

1. *Respondents not found at their*

In pre-testing, it is usually not necessary or even desirable to use strict probability samples. Normally, purposive samples are selected whereby a number of cases is deliberately chosen from different groups of the population. The size of the pre-test depends on the scope of the issues to be investigated. In this survey, pre-testing was done in order to:

- refine questionnaires and procedures;
- assess interviewing and travelling time for personnel planning and testing processing procedures and *places*

The problem of the inability to find some of the business people at their business site was experienced. This problem was circumvented by arranging return visits. In some cases the business person would be visited up to four times. This problem extended the interviewing process significantly.

2. *Refusal to give information*

In some cases, respondents refused to supply information for various reasons. The main reason given was that the financial status of either an individual or business was highly confidential. This was very common

particularly with regard to the question relating to monthly turnover or monthly cash income. Under such circumstances, interviewers gave further explanation of the survey purposes and reiterated the guarantees of confidentiality. They were however, warned to apply too much pressure as that would be counterproductive. In the instances where interviewers could not convince the respondents, the case would be referred to the field supervisor and in general that method proved to work quite well. In some cases, respondents would phone the Central bank to confirm that the information collected was purely for statistical purposes.

3. *Interviewer Replacement*

During the course of the interviewing process, some interviewers had to leave before the exercise was completed. Under the circumstances, two methods could be used to address that problem,

- interviewer replacement
- spreading of the workload over the existing staff.

The third method that could have been adopted at the beginning of the survey would have been to train extra interviewers

at the beginning of the survey who could be called upon if needed as replacements. This option was not adopted as that would add to the survey costs. The second method could also not be used as it would result in some delays. Interviewer replacement was therefore considered to be the best method to adopt. Efforts were made to ensure that replacements receive adequate training.

The same basic material that was covered during the first training session was covered for the replacements.

4. *Problem encountered when interviewing Individuals*

For households, it was envisaged that systematic sampling would be applied and every nth person in the queue would be picked, however, in some days customers were few and hence the interviewer could not wait for the nth person. He would pick the next person as soon as he is through with the person currently interviewed. It is however, envisaged that this will not affect the randomness of the selection as the customers were still picked at random and between the same intervals. That is assuming that an interviewer would take approximately equal time for all interviewees.

2.6 Time Schedule

The time schedule for the survey was as follows:

Completion of the first draft of the questionnaire October 19, 1995

Meeting with officials of the commercial banks November 1, 1995

Completion of the second draft of the questionnaire

November 28 1995

Publicity (i) Radio April 12 1996

(ii) Television April 16 1996

Training of Interviewers April 15 1996

Pilot Testing April 17 1996

Completion of the final draft of the questionnaire

April 18 1996

Interviewing process April 22-May 30 1996

Data Processing June 4-30 Aug.

Part 1 - Primary Results

3.0 Main Results

Table 1A Domestic commercial banks' customers with bank accounts in the RSA, those who plan to open them in the future and those who do not have them and do not intend to open them in the future.

Categories of Customers	No. of Customers	Percentage
Those with bank accounts in the RSA	3686	25
Those planning to open them	5540	38
Those without accounts and not planning to open them	5458	37
Total	14684	100

Figure 1A All customers Having Bank A/C,

planning to have, None

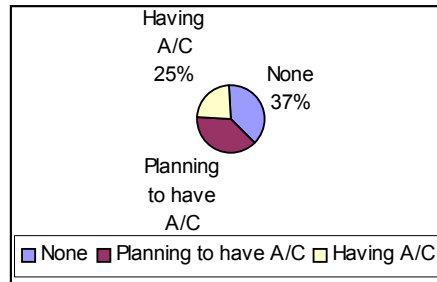


Table 1A and figure 1A give an overview of total customers of local banks (i.e. households and businesses with current accounts) who have bank accounts in the RSA, those who are planning to open them and those who do not have them and are not intending to open them. About 25 per cent of the while about 37 per cent reported that they do not intend to open them. Reasons for either opening them or planning to open them are given in sections 3.1 and 3.2.

Table 1B Customers of local commercial banks who have investments in the RSA and those who do not have them

Category of Customers	No. of Customers	Percentage
Those who have investments in the RSA	3275	22
Those without investments in the RSA	11409	78
Total	14684	100

As shown in Table 1B about 22 per cent of local banks' customers reported that they have investments in the RSA. Reasons for investing in the RSA are given in section 3.1 and 3.2. A more detailed analysis of types of investments is given in Appendix A.

Figure 1B All customers - Investment/No Investment RSA

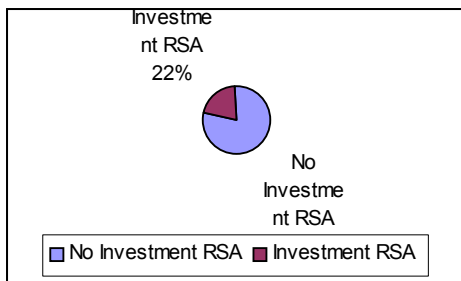


Table 2A Businesses with bank accounts in the RSA, those planning to open bank accounts and those without bank accounts and not planning to open them.

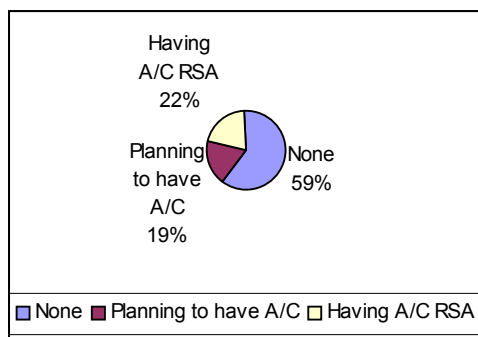
Categories	No. of businesses	Percentage

3.1 Businesses

Those with bank accounts in the RSA	686	22
Those planning to open them	590	19
Those without accounts and not planning to open them	1808	59
Total	3084	100

Table 2B Reasons given by local businesses on the question whether they have bank accounts in the RSA

Figure 2A Businesses having Bank A/C, Planning to have None



As shown in Table 2A and Figure 2A, about 22 per cent of local businesses seem to have bank accounts in the RSA, about 19 per cent of the businesses plan to open them while about 59 per cent reported that they do not have them and do not plan to open them.

Reasons	No. of Businesses	%
Enhanced convenience due to close dealings with RSA.....	371	12.0
Wider variety and higher quality of products and services offered by RSA banks	98	3.2
Safe-keeping of money.....	33	1.1
Better customer service.....	87	2.8
Higher interest rates.....	44	1.4
Strike by employees of banks in Lesotho	33	1.1
Political instability in Lesotho.....	22	0.7
No bank account in the RSA.....	2,397	77.7

Reasons	No. of Businesses	%
Enhanced convenience due to dealings with RSA.....	371	54.0
Wider variety and higher quality of products and services offered by RSA banks	98	14.2
Safe-keeping of money.....	33	4.8
Better customer service.....	87	12.6
Higher interest rates.....	44	6.4
Strike by employees of banks in Lesotho.....	33	4.8
Political instability in Lesotho.....	22	3.2
.		
Total	688	100.0
Total	3,085	100.0

N.B. Figures do not add up due to rounding up

Local businesses revealed that they have bank accounts in RSA

About 22 per cent of the local businesses which are customers of the local commercial banks indicated that they have bank accounts with the RSA banks. Of the 22 per cent, the main reason for opening a bank account was that of enhanced convenience due to close dealings with the RSA (reported by about 12 per cent). The second main reason given was that of wider variety and higher quality of products and

services offered by the RSA banks (reported by about 3 per cent of businesses). The third main reason given by businesses was that of better customer service in the RSA banks. This was reported by about 3 per cent of businesses. table 2C below gives a separate analysis of only the businesses which have bank accounts in the RSA.

Table 2C Separate analysis of businesses which have bank accounts in the RSA

N.B. Figures do not add up due to rounding up

Reasons	No. of Businesses	%
enhanced convenience due to close dealings with RSA.....	196	33.3
Wider variety and higher quality of products and services offered by RSA banks.....	174	29.6
.	163	27.7
Better customer service..	33	5.6
Higher interest rates.....	11	1.9
Size and better prospects of RSA economy.....	11	1.9
.		
Strike by employees of banks in Lesotho.....		
Total	588	100.0

Table 2D Reasons given by local businesses on the question whether they plan to open bank accounts with the RSA banks in the near future.

Reasons	No. of Businesses	%
enhanced convenience due to close dealings with RSA..	196	6.4
Wider variety and higher quality of products and services offered by RSA banks	174	5.6
Better customer service	163	5.3
Higher interest rates.....	33	1.1
Size and better prospects of RSA economy	11	0.4
Strike by employees of banks in Lesotho	11	0.4
Not planning to open a bank account in the RSA.....	2,496	81.0
Total	3,084	100.0

Table 2F. Reason given by local businesses on the question whether they have investments in the RSA

Reasons	No. of Businesses	%
Enhanced convenience due to close dealings with RSA...	294	9.5
Big capital market in the RSA.....	11	0.4
..	229	7.4
Higher returns.....	98	3.2
Size and better prospects of RSA economy.....	0	0.0
Better services (loans).....	11	0.4
Political instability in Lesotho.....	2,441	79.2
..		
No investment in the RSA....		
Total	3,084	100.0

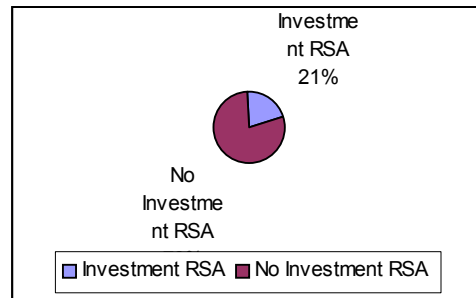


Table 2 G. A separate analysis of businesses which have investments in the RSA

N.B. Figures do not add up due to rounding up

About 21 per cent of local businesses reported that they invest in the RSA

Of the 21 per cent of local businesses which invest in the RSA, the main reason given was that of enhanced convenience due to close dealings with the RSA (about 10 per cent of businesses reported that). The second main reason given was that of higher returns in the RSA (about 7 per cent of businesses gave that reason Table 2G gives an analysis of only those businesses with investments in the RSA.

time.....	109	3.5
Good customer service.....		
To Support local banking industry.....		
Do not know*.....		
Total	3,084	100.0

N.B. Figures do not add up due to rounding up

***Some of the managers (not owners of businesses) did not know reasons for banking with local banks.**

Local business opened accounts with domestic commercial banks due to various reasons.

About 39 per cent of local businesses revealed that they opened bank accounts with domestic commercial banks for safe-keeping of money.

The second main reason (reported by about 35 per cent of businesses) was because of the convenience due to proximity with Lesotho banks.

3.2 Individuals

Table 3A. Individuals with bank accounts in the RSA those planning to open bank accounts and those without bank accounts and not planning to open them

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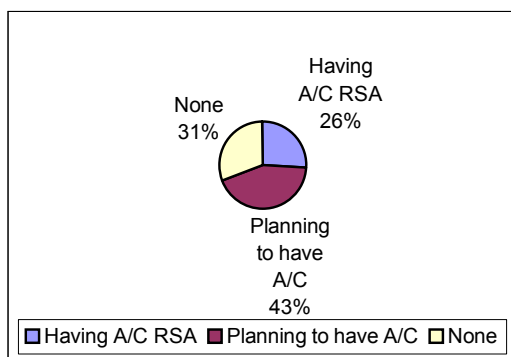
Reason	No. of Businesses	%
Enhanced convenience due to close dealings with RSA.		
Big capital marker in the RSA.....	294	45.7
Higher returns.....	11	1.7
Size and better prospects of RSA		
economy.....	229	53.6
Better services (Loans).....	98	15.2
Political instability in Lesotho.....	11	1.7
Total	644	100.0

Table 2H. Reasons given by local businesses for opening bank accounts with banks in Lesotho

Reasons	No. of Business	%
Convenience due to proximity with Lesotho banks.....	1,068	34.6
..	76	2.5
To earn interest.....	1,188	38.5
Safe-keeping of money.....	316	10.2
To get loan over-	44	1.4
	283	9.2

Categories	No. of Individuals	%
Those with bank accounts in the RSA.....	3000	26
Those planning to open them	4950	43
Those without accounts and not planning to open them	3650	31
Total	11600	100.00

Figure 3A. Households Having Bank A/C, Planning to have, none



For individuals, about 26 per cent revealed that they have bank accounts in the RSA, about 43 per cent of the individuals are planning to open them in the N.B. **Figures do not add up due to rounding up**

About 26 per cent of the individuals reported that they have bank accounts in the RSA

future while about 31 per cent reported that they do not have them and do not intend to open them in the future.

Table 3B. Reasons by local individuals on the question whether they have bank accounts in the RSA

Reasons	No. of Individuals	%
Enhanced convenience due to close dealings with RSA	1,181	10.2
Wider variety and higher quality of products and services offered by RSA banks	639	5.5
Safe-keeping of money.....	11	0.1
Better customer service in the RSA.....	509	4.4
Higher interest rates in the RSA.....	596	5.1
..	65	0.6
Political instability in Lesotho.....	8,600	74.1
..		
No bank account in the RSA.....		
..		
Total	11,601	100.0

Of the 26 per cent who have bank accounts in the RSA, the main reason given was that of enhanced convenience due to close dealings with RSA (about

10 per cent of the individuals reported that). The second main reason was that of wider variety and higher quality of products and services offered by the RSA banks. The third main reason was that of higher interest rate in the RSA followed by better customer service in the RSA. Table 3C gives an analysis of individuals who have bank accounts in the RSA separately.

Table 3C. A separate analysis of individuals who have bank accounts in the RSA

N.B. Figures do not add up due to rounding up

Reasons	No. of Individuals	%
Enhanced convenience due to close dealings with RSA.....	1,181	39.4
Wider variety and higher quality of products and services offered by RSA bank		
Safe-keeping of money.....	639	21.2
Better customer service in the RSA.....	11	0.4
..		
Higher interest rates in the RSA	509	17.0
Political instability in Lesotho..	596	19.9
	65	2.2
Total	3,001	100.0

Table 3D. Reasons given by individuals on the question whether they plan to open bank accounts with RSA banks in the future

Reasons	No. of Individuals	%
Enhanced convenience due to close dealings the RSA.....	1,051	91
Wider variety and higher quality of products and services offered by RSA	1,614	13.9
Better customer service in the RSA.....	1,105	9.5

Higher interest rates in the RSA.....	43	0.4
Political instability in Lesotho.....	32	0.3
Size and better prospects of RSA economy.....	6,650	57.3
Not planning to open a bank account in the RSA.....		
Total	11,600	100.0

About 43 per cent of the individuals interviewed mentioned that they intend to open bank accounts in the RSA. The main reason given was that of wider variety and higher quality of products and services offered by the RSA banks. Out of 43 per cent, about 14 per cent gave that reason. The second major reason given were that of better customer service and higher interest rate in the RSA banks. Each reason was given by about 10 per cent of the individuals. Another reason that was given by about 9 per cent of the individuals was that of enhanced convenience due to close dealings with the RSA. Table 3E below gives a separate analysis of individuals who plan to open bank accounts in the RSA.

N.B. Figures do not add up to rounding up

Individuals reported that they intend to open bank accounts in the RSA in the future

Table 3E. A separate analysis on individuals who plan to open bank accounts in the RSA in the future

Reasons	No. of Individuals	%
Enhanced convenience due to close dealings with RSA...	1,051	21.2
Wider variety and higher quality of products and services offered by RSA banks.....	1,614	32.6
..	1,105	22.3
..	1,105	22.3
Better customer service.....		
Higher interest rates.....	43	0.9

Political instability in Lesotho.....	32	0.6
..		
Size and better prospects of RSA economy.....		
Total	4,950	100.0

Table 3F. A reason given by individuals on the question whether they have investments in the RSA

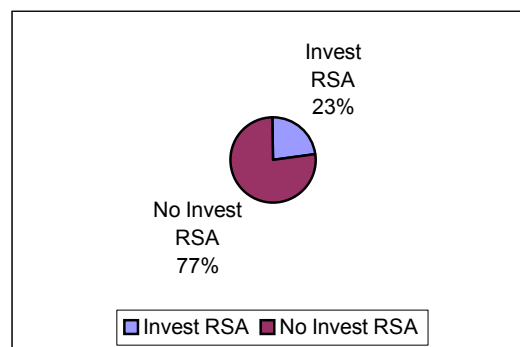
Reasons	No. of Individuals	%

Enhanced convenience due to close dealings with RSA.....	249	2.1
Wider variety and higher quality of products and services offered by RSA banks.....	87	0.8
Higher returns.....	1,906	16.4
Flexible legal framework.....	11	0.1
Better services (loans, professional approach, etc.).....	87	0.8
Size and better prospects of RSA economy.....	227	2.0
Political instability in Lesotho...	65	0.6
No investment in the RSA.....	8,968	77.3
Total	11600	100.0

N.B. Figures do not add up due to rounding up

Table 3G. A separate analysis on individuals who have investments in the RSA

Figure 3B. Households Investment/Investment RSA



An overwhelming majority of those individuals who invest in the RSA reported that it is because of higher return in the RSA.

About 23 per cent of the individuals interviewed reported that they invest in the RSA. Of the 23 per cent, about 16 per cent reported that it was because of returns in the RSA. About 2 per cent of the individuals reported that it was because of enhanced convenience due to close dealings with the RSA. The other 2 per cent mentioned that it was because of the size and better prospects of the RSA economy. A separate analysis of individuals who have investments in the RSA is given in table 3G below.

Reasons	No. of	%
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	Individuals				
Enhanced convenience due to close dealings with RSA.....	249	9.5	To support local banking industry.....	249	2.1
Wider variety and higher quality of products and services offered by RSA banks.....	87	3.3	Not applicable*	32	0.3
Higher returns.....	1,906	72.4	Total	11600	100.0
Flexible legal framework.....	11	0.4			
Better services (loans, professional approach, etc.).....	87	3.3			
Size and better prospects of RSA economy.....	227	8.6			
Political instability in Lesotho....	65	2.5			
Total	2,632	100.0			

N.B. Figures do not add up due to rounding up
***not applicable denotes that the question was not answered**

Majority of individuals reported that they opened bank accounts in Lesotho for safe keeping of money.

About 61 cent of the individuals interviewed revealed that they opened bank accounts with banks in Lesotho for safe-keeping of money. About 20 per cent reported that it was in order to get a loan overtime.

N.B. Figures do not add up to rounding up

Table 3H. Reasons given by individuals for opening bank account with banks in Lesotho

Reasons	No. of Individuals	%
Convenience due to proximity with Lesotho banks.....	2,296	19.8
To earn interest.....	791	6.8
Safe-keeping of money.....	7,127	61.4
To get a loan overtime.....	1,051	9.1
Good customer service.....	54	0.5

4.0 Conclusions and Policy Implications

Table 4A. Summary Table
Three main reasons given by local businesses for either opening or planning to open bank opening bank accounts in Lesotho

accounts in the RSA, investing in the RSA and

All Businesses

Reasons	First main reason	Second main reason	Third main reason
Opening a bank account in the RSA	enhanced convenience due to close dealings with the RSA (12%)	wider variety and higher quality of products and services offered by the RSA banks (3.2%)	better customer service in the RSA banks (2.8%)
Planning to open a bank account in RSA	enhanced convenience due to close dealings with the RSA (6.4%)	wider variety and higher quality of products and services in the RSA banks (5.6%)	better customer service in the RSA banks (5.3%)
Investing in the RSA	enhanced convenience due to close dealings with the RSA (9.5%)	higher returns in the RSA (7.4%)	size and better prospects of the RSA economy (3.2%)
Opening a bank account in Lesotho	Safe-keeping of money (38.5%)	convenience due to proximity with Lesotho banks (34.6%)	to get a loan overtime (10.2%)

Table 4B. Summary Table
Three main reasons given by businesses when a separate analysis of business which have bank investments in the RSA was made

accounts, plan to open bank accounts and have

Reasons	First main reason	Second main reason	Third main reason

Opening a bank account in the RSA	enhance convenience due to close dealings with the RSA (39.4%)	wider variety and higher quality of products and services offered by the RSA banks (21.2%)	higher interest rates in the RSA (19.9%)
Planning to open a bank account in RSA	wider variety and higher quality of products and services offered by the RSA banks (32.6%)	better customer service and higher interest rates in the RSA (22.3%)	higher interest rates in the RSA (22.3%)
Investing in the RSA	higher returns in the RSA (72.4%)	size and better prospects of the RSA economy (9.5%)	enhanced convenience due to close dealings with the RSA (8.6%)

In drawing conclusions and policy recommendations it should be borne in mind that this survey was a stocktaking exercise and was meant to assess the situation on the ground. The main objective of the survey was to identify factors that may influence customers of local commercial banks to open bank accounts in the RSA and to estimate the proportion of those customers with bank accounts in the RSA. the policy implications given hereinafter are therefore in line with the findings of the survey. In particular, the two summary tables in this section are very suggestive.

For both businesses and individuals, the first main reason for opening a bank account in the RSA was

that of enhanced convenience due to close dealings with the RSA. This reason therefore, calls for more integration in the banking systems of the two countries in order to promote trade. it is important to note that the committee of Governors of the Central Banks in the Southern African Development Community (SADC) is in the process of SADC. It is envisaged that once established, it will promote trade in the region. the domestic banking system is to benefit as customers will be indifferent about opening bank accounts in Lesotho or the RSA because once the settlement and payment system is put in place, local customers of domestic banks will be able to effect payments in the RSA. This reason of opening a bank account in the RSA also suggests that

authorities in the domestic banks will be able to effect payments in the RSA. This reason of opening a bank account in the RSA also suggests that authorities in the domestic banking system should work harder in order to win confidence of both the banking system and the business community in the RSA. Once their confidence is won, Lesotho cheques will be acceptable in the RSA and there will be no need to open a bank account in the RSA. When looked at from a different perspective, this reason of opening bank accounts in the RSA implies the presence of dual banking. Customers of local commercial banks open bank account in the RSA in order to facilitate business transactions in the RSA. In other words, even if customers had bank accounts only locally, they would still transfer huge amounts in order to acquire goods from the bigger RSA economy. That is, the polarity. Therefore, as long as there is trade between the two countries, customers of local commercial banks have two options, namely, either to open bank accounts in the RSA or to transfer money from the local banks to the RSA, for business transactions. So long as Lesotho cheques are not acceptable in the RSA, customers of local commercial banks will prefer opening bank accounts in the RSA, Efforts should therefore be made to address the factors which render Lesotho cheques unacceptable in the RSA.

The second main reason for opening a bank account in the RSA for both businesses and individuals was that of wider variety and higher quality of products and services offered by the RSA banks. Efforts should therefore be made to improve the quality of the products and services offered by the local banks as well as the attitudes, approaches and

professionalism of domestic bank employees. This could be achieved through training. Moreover, there is a need to undertake a comprehensive analysis of bank products and services available in both economies and make improvements where necessary.

For individuals, the third main reason was that of higher interest rates in the RSA. Monetary authorities in Lesotho should therefore ensure that the interest rates payable on deposits in Lesotho are in line with those in the RSA for same amounts of depots. This point should however, be analysed thoroughly. If the rates in Lesotho payable on deposits are the same as those in the RSA for equal amounts of deposits with the aim of retaining deposits in Lesotho (i.e. mobilising domestic savings), the question to be addressed is banking system. In the past, research showed excess liquidity in the banking system. While on one hand the business community maintains that it is denied credit facilities by the domestic commercial banks, commercial banks, on the other maintain that there is lack of law enforcement and no bankable projects. As a result of lack of law enforcement on contracts, commercial banks in Lesotho tend to rely on the reliability of customers not on the law. thus, while it is often argued that domestic savings should be mobilised i order to promote investment, the story does not end there. what is important is to ensure that such savings do promote investment. In other words, the conditions should be conducive for converting domestic savings into domestic investment. That is, there is no economic rationale in mobilising domestic savings if such savings are not converted into investment but rather remain in the baking system as excess liquidity. it would therefore be interesting to investigate the extent of excess liquidity in the banking system.

For those customers who plan to open bank accounts in the RSA in the future the first main reason for businesses was that of enhanced convenience due to close dealings with the RSA, while for individuals the first main reason was that of higher interest rates in the RSA followed by better customer service in the RSA.

The main reason for investing in the RSA for individuals was that of higher returns in the RSA. In order to discourage capital flight to the RSA financial institutions, authorities in Lesotho should ensure that returns on capital in the domestic money and capital markets are competitive.

For both categories, the first main reason for banking with domestic banks was that of safe-keeping of money. Authorities in the domestic banking system should therefore

double their efforts in order to maintain credibility to their customers. The banking system should be properly managed and be reliable in order to gain

confidence of the customers.

As indicated earlier, this survey was a stocktaking exercise aimed at assessing the situation on the ground. Many conclusions can therefore be drawn from the results. Authorities in the domestic banking system should pay particular attention to these reasons for formulation of policy in the future.

Where possible, further research has been suggested.

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Appendix A: Secondary Results (Statistical Tables)

Table 1 Reasons for opening a bank account in the RSA by location of mother company of the business

Reason	RSA	Overseas	Lesotho	Total
Enhanced convenience due to close dealings with RSA	109	0	262	371
Wider variety and higher quality of products and services offered by RSA banks	11	11	76	98
Safe-keeping of money	11	0	22	33
Better customer service	11	11	65	87
Higher interest rates	0	11	33	44
Strike by employees of banks in Lesotho	22	0	11	33
Political instability in Lesotho	0	0	22	22
No bank account in the RSA	131	87	2,180	2,398
Total	295	120	2,671	3,086

Table 2 Reasons for opening a bank account in the RSA by monthly turnover of the business

Reason	Below M10000	M10001 to M25000	M25001 to M50000	M50001 to 100000	100001 to 250000	M250001 to M5000000	M500001 to M10000000	Above M10000000	Turnover confidential	Total
Enhanced convenience due to close dealings with RSA	54	65	22	44	54	33	44	0	54	370
Wider variety and higher quality of products and services offered by RSA banks	0	22	11	11	11	0	33	11	0	99
Safe-keeping of money	0	0	0	0	0	11	11	0	11	33
Better customer service	11	0	0	44	22	0	0	0	11	88
Higher interest rates	0	0	11	22	11	0	0	0	0	44
Strike by employees of banks in Lesotho	0	0	0	0	22	0	0	11	0	33
Political instability in Lesotho	0	0	0	0	22	0	0	0	0	22
No bank account in the RSA	763	349	218	272	153	87	120	109	327	2,398
Total	828	436	262	393	295	131	208	131	403	3,087

Table 3 Reasons for opening a bank account in the RSA by Nature/Type of the business

Reason	Café	General	Supermarket	Restaurant	Clothing	Shoe Shop	Butchery	Transport	Hardware	Motor Garage	Furniture	Office Equipment
Enhanced convenience due to close dealings with RSA	76	22	0	0	22	0	11	22	11	33	0	65
Wider variety and higher quality of products and services offered by RSA banks	22	22	11	0	0	0	0	0	0	11	0	11
Safe-keeping of money	11	0	0	0	0	0	0	0	0	0	0	0
Better customer service	0	0	33	0	0	0	0	0	0	11	0	0
Higher interest rates	0	0	0	0	11	0	0	0	0	0	0	0
Strike by employees of banks in Lesotho	0	0	11	0	0	0	0	0	0	0	11	0
Political instability in Lesotho	0	0	0	0	0	0	0	0	0	0	0	0
No bank account in the RSA	425	196	185	207	87	33	33	98	120	109	98	44
Total	534	240	240	207	120	33	44	120	131	164	109	120

Table 3 continued: Reasons for opening a bank account in the RSA by Nature/Type of the business

Reason	Construction	Hotel	Consultancy	Medical	Community	Security	Manufacturing	Wholesale	Insurance	Publishing	Total
Enhanced convenience due to close dealings with RSA	11	0	11	0	11	0	54	22	0	0	371
Wider variety and higher quality of products and services offered by RSA banks	0	0	0	0	0	0	0	22	0	0	99
Safe-keeping of money	0	0	0	0	0	11	0	11	0	0	33
Better customer service	0	11	0	11	0	0	11	0	0	11	88
Higher interest rates	0	0	0	0	22	0	0	11	0	0	44
Strike by employees of banks in Lesotho	0	0	0	0	0	0	11	0	0	0	33
Political instability in Lesotho	0	0	0	0	0	0	22	0	0	0	22
No bank account in the RSA	76	11	76	109	131	33	240	44	22	22	2,399
Total	87	22	87	120	164	44	338	110	22	33	3,089

Table 4 Reasons for opening a bank account in the RSA by type of ownership of the business

Reason	Sole Proprietor	Partnership	Parastatal	Association	Private	Public	Total
Enhanced convenience due to close dealings with RSA	131	54	0	0	131	54	370
Wider variety and higher quality of products and services offered by RSA banks	44	11	0	0	44	0	99
Safe-keeping of money	11	0	0	0	22	0	33
Better customer service	44	11	0	0	33	0	88
Higher interest rates	11	11	11	0	11	0	44
Strike by employees of banks in Lesotho	0	0	0	0	33	0	33
Political instability in Lesotho	0	0	0	0	22	0	22
No bank account in the RSA	1,264	283	54	65	654	76	2,396
Total	1,505	370	65	65	950	130	3,085

Table 5 Reasons for opening a bank account in the RSA by year/period of establishment of the business

Reason	Prior to 1980	1980 to 1985	1986 to 1990	1991 to 1995	1996	Total
Enhanced convenience due to close dealings with RSA	109	65	120	76	0	370
Wider variety and higher quality of products and services offered by RSA banks	22	11	11	54	0	98
Safe-keeping of money	22	11	0	0	0	33
Better customer service	22	11	33	11	11	88
Higher interest rates	22	0	0	22	0	44
Strike by employees of banks in Lesotho	22	0	11	0	0	33
Political instability in Lesotho	0	0	0	22	0	22
No bank account in the RSA	752	447	545	588	65	2,397
Total	971	545	720	773	76	3,085

Table 6 Reasons for opening a bank account in the RSA by age of the individual

Reason	21 to 30 years	31 to 40 years	41 to 50 years	51 to 60 years	Above 60 years	Total
Enhanced convenience due to close dealings with RSA	3,401	2,935	4,690	1,289	466	1,181
Wider variety and higher quality of products and services offered by RSA banks	87	162	249	108	32	638
Safe-keeping of money	0	11	0	0	0	11
Better customer service	76	217	162	22	32	509
Higher interest rates	119	271	97	65	43	595
Strike by employees of banks in Lesotho	0	32	11	11	11	65
Political instability in Lesotho	1,473	3,282	2,545	931	368	8,599
No bank account in the RSA	5,156	6,910	7,754	2,426	952	11,598
Total						

Table 7 Reasons for opening a bank account in the RSA by educational status of the individual

Reason	Non-formal	Std 1 to 6	Std 7 & Form A	Technical/Vocational	JC/LPTC Equivalent	COSC and Equivalent	Post COSC	Degree or higher	Total
Enhanced convenience due to close dealings with RSA	0	54	32	43	152	227	184	487	1,179
Wider variety and higher quality of products and services offered by RSA banks	0	43	0	43	54	87	119	292	638
Safe-keeping of money	0	0	0	11	0	0	0	0	11
Better customer service in the RSA	0	32	22	11	54	108	141	141	509
Higher interest rates	0	11	32	43	65	119	119	206	595
Political instability in Lesotho	0	0	11	0	22	11	22	0	66
No bank account in the RSA	43	726	596	87	1,094	1,614	2,155	2,285	8,600
Total	43	866	693	238	1,441	2,166	2,740	3,411	11,598

Table 8 Reasons for opening a bank account in the RSA by Employment status of the individual

Reason	Self-employed	Employed for Wages	Self-Employed and Pensioner	Self-Employed and employed for Wages	Pensioner	Housewife	Student	Total
Enhanced convenience due to close dealings with RSA	303	845	11	22	0	0	0	1,181
Wider variety and higher quality of products and services offered by RSA banks	173	433	11	11	11	0	0	639
Safe-keeping of money	11	0	0	0	0	0	0	11
Better customer service in the RSA	141	357	0	0	11	0	0	509
Higher interest rates	162	422	0	0	0	11	0	595
Political instability in Lesotho	22	43	0	0	0	0	0	65
No bank account in the RSA	2,004	6,260	43	66	87	87	54	8,600
Total	2,816	8,360	65	99	109	98	54	11,600

Table 9 Reasons for opening a bank account in the RSA by main source of income of the individual

Reason	Business Income	Farming Income	Wages and Salaries	Business and Pension	Farming and Pension	Business and Wages	Farming and Wages	Pensioner	Husband	Sponsor	Total
Enhanced convenience due to close dealings with RSA	282	22	845	11	0	22	0	0	0	0	1,182
Wider variety and higher quality of products and services offered by RSA banks	173	0	433	0	11	11	0	11	0	0	639
Safe-keeping of money	11	0	0	0	0	0	0	0	0	0	11
Better customer service	130	11	357	0	0	0	0	11	0	0	509
Higher interest rates	141	11	444	0	0	0	0	0	0	0	596
Political instability in Lesotho	11	11	43	0	0	0	0	0	0	0	65
No bank account in the RSA	1,885	108	6,260	32	11	65	11	87	87	54	8,600
Total	2,633	163	8,382	43	22	98	11	109	87	54	11,602

Table 10 Reasons for opening a bank account in the RSA by monthly gross cash income of the individual

Reason	Below M500	M500 to M1000	M1001 to M2000	M2001 to M3000	M3001 to M4000	M4001 to M5000	Above M5000	Confidential	Total
Enhanced convenience due to close dealings with RSA	141	130	271	238	162	87	152	0	1,181
Wider variety and higher quality of products and services offered by RSA banks	108	43	97	152	130	43	54	11	638
Safe-keeping of money	11	0	0	0	0	0	0	0	11
Better customer service	152	43	43	0	54	76	141	0	509
Higher interest rates	76	43	152	87	87	76	76	0	597
Political instability in Lesotho	11	11	32	11	0	0	0	0	65
No bank account in the RSA	1,863	1,051	2,134	1,722	1,061	726	11	32	8,600
Total	2,362	1,321	2,729	2,210	1,494	1,008	434	43	11,601

Table 11. Reasons for opening a bank account in RSA by year/period of establishment of the business

Year of opening An account in the RSA	Prior 1980	1980 - 1985	1986 - 1990	1991 - 1995	1996	Total
Prior 1980	76	11	76	22	0	185
1980 – 1985	11	33	11	11	11	77
1986 – 1990	22	11	44	22	0	99
1991 – 1995	109	44	54	120	0	327
1996	0	0	0	0	0	0
No Bank Account in the RSA	774	436	534	599	54	2,397
Total	992	535	719	774	65	3,085

Table 12. Year/Period of opening a bank account in the RSA by Nature/type of the Business

Nature/type of Business	Prior 1980	1980-1985	1986-1990	1991-1995	1996	No account in the RSA	Total
Cafe	33	11	11	44	0	425	520
General Dealer	0	0	0	44	0	196	240
Supermarket	22	0	22	0	0	196	240
Restaurant	0	0	0	0	0	207	207
Clothing shop	11	11	0	11	0	87	120
Shoe shop	0	0	0	0	0	33	33
Butchery	0	0	0	11	0	33	44
Transport Service	11	11	11	0	0	76	109
Hardware shop	11	0	0	0	0	120	131
Motor Garage	0	22	11	22	0	98	153
Furniture shop	0	0	0	11	0	87	98
Office Equip. shop	33	11	0	22	0	44	110
Construction firm	0	0	0	11	0	76	87
Hotel	11	0	0	0	0	11	22
Consultancy Firm	0	0	0	11	0	76	87
Medical Firm	11	0	0	0	0	120	131
Community Service	0	0	11	22	0	142	175
Security Firm	11	0	0	0	0	33	44
Manufacturing firm	0	0	22	87	0	240	349
Wholesale	22	0	11	33	0	44	110
Insurance Firm	0	0	0	0	0	22	22
Publishing Firm	11	0	0	0	0	22	33
Farming	0	0	0	11	0	11	22
Total	187	66	99	340	0	2,399	3,09

Table 13. Year/Period of opening a bank account in the RSA by location of mother company of the business

Location of mother company	Prior 1980	1980 - 1985	1986 - 1990	1991 - 1995	1996	No account in the RSA	Total
RSA	76	11	22	54	0	131	294
Overseas	11	0	0	22	0	87	120
Lesotho	98	54	76	262	0	2,180	2,670
Total	185	65	98	338	0	2,398	3,084

Table 14. Year/period of opening a bank account in the RSA by monthly turnover of the business

Monthly turnover	Prior 1980	1980 - 1985	1986 - 1990	1991 - 1995	1996	No account in RSA	Total
Below M10000	11	11	0	44	0	763	829
M10001-M25000	22	11	22	44	0	338	437
M25001-M50000	0	11	22	11	0	218	262
M50001-M100000	33	22	11	54	0	272	392
M100001-M250000	44	0	33	65	0	153	295
M250001-M500000	22	0	0	22	0	87	131
M500001-M1000000	22	0	0	54	0	120	196
Above M1000000	0	0	0	22	0	109	131
Turn over Confidential	33	11	11	22	0	338	415
Total	187	66	99	338	0	2,398	3,088

Table 15. Type of Bank account in the RSA by Year/ period of establishment of the business

Type of Bank account	Prior 1980	1980 - 1985	1986 - 1990	1991 - 1995	1996	Total
Savings Account	22	22	22	54	0	120
Current account	153	65	120	109	11	458
Call Account	22	0	22	11	0	55
Fixed Time Deposit	33	0	11	11	0	55
No bank account	741	458	545	588	65	2,397
Total	971	545	720	773	76	3,085

Table 16. Type of Bank account in the RSA by nature/type of the business

Nature/type of busines	Savings Account	Savings Account	Call Account	Fixed time	No Account in the RSA	Total
Cafe	44	44	0	11	425	524
General	11	22	11	0	196	240
Supermarket	0	33	0	11	196	240
Restaurant	0	0	0	0	207	207
Clothing shop	11	33	0	0	76	120
Shoe shop	0	0	0	0	33	33
Butchery	0	11	0	0	33	44
Transport service	0	22	0	0	87	109
Hardware shop	0	0	0	11	120	131
Motor Garage	0	54	0	0	98	152
Furniture shop	0	0	11	0	87	98
office Equipment shop	0	54	11	0	44	109
Construction Firm	11	0	0	0	76	87

Table 16. (Continued) Type of bank in the RSA by nature of the business

Nature/type Of Business	Savings Account	Current Account	Call Account	Fixed time	No Account in the RSA	Total
Hotel	0	11	0	0	11	22
Consultancy Firm	0	11	0	0	76	87
Medical Firm	0	11	0	0	120	131
Community Service	11	11	11	0	142	175
Security Firm	11	0	0	0	33	44
Manufacturing Firm	11	7	0	11	240	349
Wholesale	11	44	0	11	44	110
Insurance Firm	0	0	0	0	22	22
Publishing Firm	0	0	11	0	22	33
Farming	0	11	0	0	11	22
Total	121	459	55	55	2,399	3,089

Table 17. Type of Bank account in the RSA by location of mother company of the business

Location of mother company	Savings Account	Current Account	Call Account	Fixed time	No Account in the RSA	Total
RSA	22	109	11	22	131	295
Overseas	0	0	33	0	87	120
Lestho	98	349	11	33	2,181	2,671
Total	120	458	55	55	2,398	3,086

Table 18. Type of Bank Account in the RSA by monthly turnover of the business

Monthly Turnover	Savings Account	Current Account	Call Account	Fixed time Deposit	No Account in the RSA	Total
Below M10000	0	65	0	0	763	828
M10001-M25000	65	33	0	0	338	436
M25001-M50000	0	44	0	0	218	262
M50001-M100000	0	76	22	22	272	392
M100001-M250000	11	98	22	11	153	295
M250001-M500000	0	44	0	0	87	131
M500001-M1000000	22	54	11	0	120	207
Above M1000000	0	22	0	0	109	131
Turnover Confidential	22	22	0	22	338	404
Total	120	458	55	55	2,398	3,086

Table 19. Type of Bank account in the RSA by type of investment of the business in the RSA

Type of Investment in the RSA	Savings Account	Current Account	Call Account	Fixed time Deposit	No Account in the RSA	Total
Long-term Bonds	0	0	11	0	0	11
Long-term Bonds and Business	0	0	0	11	0	11
Insurance Policies	0	76	11	11	163	261
Insurance Policies and Business	0	0	0	0	22	22
Stock and Shares	11	22	0	11	33	77
Stocks and Shares and Business	11	0	0	11	11	33
Business	0	11	22	0	44	77
Farm	11	11	0	0	11	33
Property	0	33	0	0	76	109
Unit Trusts	0	0	0	0	11	11
No Bank account in the RSA	87	305	11	11	2,027	2,441
Total	120	458	55	55	2,398	3,086

Table 20. Type of Bank Account in the RSA by type of Investment in Lesotho

Type of investment in the Lesotho	Savings Account	Current Account	Call Account	Fixed time Deposit	No. Account in the RSA	Total
Insurance Policies	54	163	22	11	1,079	1,329
Company Shares	0	0	0	11	33	44
Property	0	11	0	0	11	22
No Bank Account in the RSA	65	283	33	33	1,275	1,689
Total	119	457	55	55	2,398	3,084

Table 21. Year/Period of opening a bank account in the RSA by age of the individual

Age of the individual	Prior 1980	1980-1985	1986-1990	1991-1995	1996	No account in the RSA	Total
21 to 30 years	11	22	65	65	76	1,603	2,059
31 to 40 years	65	87	292	292	65	3,044	4,225
41 to 50 years	108	87	141	141	43	2,675	3,509
51 to 60 years	43	22	43	43	43	942	1,266
Above 60 years	87	32	22	22	22	336	542
Total	314	250	563	563	249	8,600	11,601

Table 22. Type of Bank account in the RSA by age of the individual

Age of the individual	Savings Account	Current Account	Call Account	Fixed time Deposit	No. Account in he RSA	Total
21 to 30 years	347	173	22	54	1,506	2,102
31 to 40 years	531	303	32	97	3,206	4,169
41 to 50 years	477	336	32	76	2,589	3,510
51 to 60 years	173	141	11	22	931	1,278
Above 60 years	87	54	22	11	368	542
Total	1,615	1,007	119	260	8,600	11,601

Table 23. Type of Bank Account in the RSA by Educational attainment of the individual

Educational Attainment	Savings Account	Current Account	Call Account	Fixed time Deposit	No. Account in the RSA	Total
No formal education	0	0	0	0	43	43
Standard1-6	43	65	11	22	726	867
Standard 7, Form A	87	0	0	11	596	694
Technical/Vocational	87	32	22	11	87	239
JC/LPTC and equivalent	162	108	32	43	1,094	1,439
COSC and equivalent	336	152	22	43	1,614	2,167
Post COSC	303	227	11	43	2,155	2,739
Degree or higher	596	422	22	87	2,285	3,412
Total	1,614	1,006	120	260	8,600	11,600

Table 24. Type of Bank Account in the RSA by employment status of the individual

Employment Status	Savings Account	Current Account	Call Account	Fixed time	No. Account in the	Total
Self-employed	477	282	22	54	2,047	2,882
Employed for wages	1,105	693	97	173	6,206	8,274
Self-employed and pensioner	0	11	0	0	43	65
Self-employed and employed for wages	32	11	0	0	76	119
Pensioner	0	11	0	0	87	109
Housewife	0	0	0	0	87	98
Student	0	0	0	0	54	54
Total	1,614	1,008	119	260	8,600	11,601

Table 25. Type of Bank Account in the RSA by main source of income of the individual

Main source of income	Savings Account	Current Account	Call Account	Fixed time Deposit	No. Account in the RSA	Total
Business income	422	271	22	65	1,906	2,686
Farming	32	11	0	11	141	195
Wages and salaries	1,126	693	97	152	6,206	8,274
Business income and pension	0	11	0	0	22	33
Farming and pension	0	0	0	11	22	33
Business income and wages and salaries	32	11	0	0	65	108
farming and wages and salaries	0	0	0	0	11	11
Pension	0	11	0	11	87	109
Husband's income	0	0	0	11	87	98
Sponsorship	0	0	0	0	54	54
Total	1,612	1,008	119	261	8,601	11,601

Table 26. Type of Bank Account in the RSA by monthly cash income of the individual

Monthly cash income	Savings Account	Current Account	Call Account	Fixed time Deposit	No. Account in the RSA	Total
Below M500	11	0	0	0	162	173
M500-M1000	141	87	0	22	1,051	1,301
M1001-M2000	379	162	43	32	2,199	2,815
M2001-M3000	412	184	32	22	1,787	2,437
M3001-M4000	173	162	32	65	1,105	1,537
M4001-M5000	130	130	0	32	726	1,018
Above M5000	368	282	11	87	1,570	2,318
Total	1,614	1,007	118	260	8,600	11,599

Table 27. Year/Period of opening a bank account in the RSA by educational Attainment of the individual

Educational Attainment	Prior 1990	1980-1985	1986-1990	1991-1995	1996	No account in the RSA	Total
No formal education	0	0	11	11	0	22	44
Standard 1-6	22	11	11	76	22	726	868
Standard 7, Form A	11	11	65	11	0	596	694
Technical/Vocational	22	11	22	76	0	108	239
JC/LPTC and equivalent	32	11	22	260	22	1,094	1,441
COSC and equivalent	32	54	87	314	65	1,614	2,166
Post COSC	76	54	108	303	43	2,155	2,739
Degree or higher	119	97	238	574	97	2,285	3,410
Total	314	249	564	1,625	249	8,600	11,601

Table 28. Year/period of opening a bank account in the RSA by Employment status of the individual

Employment Status	Prior 1980	1980-1985	1986-1990	1991-1995	1996	No account in the RSA	Total
Self-employed	119	87	152	422	54	2,047	2,881
Employed for wages	173	152	412	1,137	195	6,206	8,275
Self-employed and pensioner	0	0	0	22	0	43	65
Self-employed and employed for wages	0	11	0	32	0	76	119
Pensioner	22	0	0	0	0	87	109
Housewife	0	0	0	11	0	87	98
Student	0	0	0	0	0	54	54
Total	314	250	564	1,624	249	8,600	11,601

Table 29. Year/Period of opening a bank account in the RSA by main source of income of the individual

Main source of income	Prior 1980	1980-1985	1986-1990	1991-1995	1996	No account in the RSA	Total
Business income	119	76	130	412	54	1,906	2,697
Farming	0	11	22	11	0	141	185
Wages and salaries	173	152	412	1,137	195	6,206	8,275
Business income and pension	0	0	0	22	0	22	44
Farming and pension	0	0	0	0	0	22	22
Business income and wages and salaries	0	11	0	32	0	76	119
Farming and wages and salaries	0	0	0	0	0	0	0
Pension	22	0	0	0	0	87	109
Husband's income	0	0	0	11	0	87	98
Sponsorship	0	0	0	0	0	54	54
Total	312	250	564	1,625	249	8,601	11,603

Table 30. Year/period of opening a bank Account in the RSA by monthly cash income of the individual

Monthly cash Income	Prior 1980	1980-1985	1986-1990	1991-1995	1996	No. Account in the RSA	Total
Below M500	11	0	0	0	0	162	173
M500-M1000	43	11	22	130	43	1,051	1,300
M1001-M2000	43	11	76	422	65	2,199	2,816
M2001-M3000	22	87	108	379	54	1,787	2,437
M3001-M4000	65	11	108	217	32	1,105	1,538
M4001-M5000	32	32	32	184	11	726	1,017
Above M5000	97	97	217	292	43	1,570	2,316
Total	313	249	563	1,624	248	8,600	11,597

Questionnaire - Companies/Businesses/Organisations

Survey on Capital Outflows

1. **When was your company/business/organisation established?**

- 01 Prior to 1980
- 02 1980-1985
- 03 1986-1990
- 04 1991-1995

2. **What is the nature/type of your business? (e.g. cafe, wholesale, manufacturing firm, etc.)**

3. **What type of ownership is your company/business?**

- 01 sole proprietor
- 02 partnership
- 03 private company
- 04 public company
- 05 parastatal

4. **Is your company a subsidiary of another foreign company?**

Yes/No.

If yes, where is the mother company based?

- 01 RSA
- 02 Other CMA countries (except Lesotho and RSA)
- 03 Other SADC country (except CMA

- countries)
- 04 Other African country (except SADC countries)
- 05 Overseas

5. **What is your monthly turnover(approximately)?**

6. **When did you first open a bank account in Lesotho?**

- 01 prior to 1980
- 02 1980-1985
- 03 1986-1990
- 04 1991-1995

6.1 Reason for opening a bank account with banks in Lesotho (or any other deposit-taking financial institution).

Weights

- 01 to earn interest 5 4 3 2 1
- 02 safe-keeping of money 5 4 3 2 1 0
- 03 to get a loan overtime 5 4 3 2 1
- 04 to facilitate business transactions 5 4 3 2 1
- 05 to facilitate wages/salary disbursements 5 4 3 2 1
- 06 any other reason (specify) 5 4 3 2 1 0

6.2 Estimated costs per trip when visiting banks in Lesotho

01		Maloti
02	1-5	"
03	6-10	"
04	11-15	"
05	16-20	"
06	21-30	"
07	31-40	"
08	41-50	"
09	Above 50	"

7. Do you have other financial investments in Lesotho?

Yes/No. if yes type of investment (i) Treasury Bills, (ii) Insurances, (iii) Other (specify) If your answer in 7. is (i),
When did you first invest in Treasury

8.2 Reasons for using RSA bank (or deposit-taking financial institution)

Weights

01	better customer service	5 4 3 2 1
02	convenience when purchasing goods in the RSA	5 4 3 2 1
03	Access to loans in the	5 4 3 2

Bills?

Prior to April 1992
After April 1992

7.1 Reasons for investing in Treasury Bill

01 higher interest rate
02 to diversify investments
03 other reasons (specify)

8. Do you have a Bank Account in the RSA? Yes/No.

If yes, go to 8.1 if no, go to 9 and 10

8.1 When did you first open an account with the South African bank?

01 prior to 1980
02 1980-1985
03 1986-1990
04 1991-1995
05 1996

1 0

RSA banks

04 size and better prospects of RSA economy 5 4 3 2 1 0
05 higher interest rates 5 4 3 2 1

0

06 Political instability in 5 4 3 2 1

0

Lesotho

07 faster funds transfers 5 4 3 2 1 0
08 wider range of products/ services 5 4 3 2 1 0
09 shorter waiting time 5 4 3 2 1 0
10 warmer/more respectful attitude of bank employee 5 4 3 2 1 0

0 11 other reasons (specify) 5 4 3 2 1

8.3 Type of Bank Account in the RSA

- 01 Savings Account
- 02 Current Account
- 03 Fixed Time Deposits (31 days, 60 days, 88 days, 90 days, 6 months, 1 year)
- 04 Call account
- 05 Other (specify) 0

8.4 Estimated coasts per trip when visiting banks in the RSA

- 01 1-5 Maluti
- 02 6-9 Maluti
- 03 11-15 Maluti
- 04 16-20 Maluti
- 05 21-30 Maluti
- 06 31-40 Maluti
- 07 41-50 Maluti
- 08 Above 50 Maluti

9. IF no, do you plan to open an account some time in the future ?

Yes/No

If Yes,

10. Reasons for planning to open an account with RSA bank

- 0 01 better customer service 5 4 3 2 1
- 0 02 convenience when 5 4 3 2 1
- 0 purchasing goods in the RSA
- 0 03 access to loans in the RSA 5 4 3 2 1

- banks
- 04 size and better prospects of RSA economy 5 4 3 2 1 0
- 05 higher interest rates 5 4 3 2 1 0
- 06 Political instability in Lesotho 5 4 3 2 1 0
- 07 faster funds transfers 5 4 3 2 1 0
- 08 wider range of products/ services 5 4 3 2 1 0
- 09 shorter waiting time 5 4 3 2 1
- 0 10 warmer/more respectful 5 4 3 2 1
- 0 attitude of bank employee
- 0 11 other reasons (specify) 5 4 3 2 1

11. Do you have any financial, property or other investments in the RSA?

Yes/No

If yes, type of investment

- 01 Treasury Bills
- 02 Long-term Bonds
- 03 Insurance policies
- 04 Unit trust
- 05 stocks and shares
- 06 business
- 07 farm
- 08 other (specify)

12. Reasons for investing in the RSA

- 01 higher returns 5 4 3 2 1 0
- 02 better services (specify) 5 4 3 2 1 0
- 03 size and better prospects of RSA economy 5 4 3 2 1 0
- 04 because of political instab- 5 4 3 2 1 0

ility
05 other reasons (specify) 5 4 3 2 1 0

8.2 Reasons for using RSA bank (or deposit-taking financial institution)

Weights

01 better customer service 5 4 3 2 1
02 convenience when purchasing goods in the RSA 5 4 3 2 1
03 Access to loans in the RSA banks 5 4 3
04 size and better prospects of RSA economy 5 4 3 2 1
05 higher interest rates 5 4 3 2 1
06 Political instability in Lesotho 5 4 3 2 1
07 faster funds transfers 5 4 3 2 1
08 wider range of products/services 5 4 3 2 1
09 shorter waiting time 5 4 3 2 1

0
10 warmer/more respectful attitude of bank employee 5 4 3 2 1 0
11 other reasons (specify) 5 4 3 2 1 0

8.3 Type of Bank Account in the RSA

01 Savings Account
02 Current Account
03 Fixed Time Deposits (31 days, 60 days, 88 days, 90 days, 6 months, 1 year)
04 Call account
05 Other (specify)

8.4 Estimated costs per trip when visiting banks in the RSA

01 1-5 Maluti
02 6-9 Maluti
03 11-15 Maluti
04 16-20 Maluti
05 21-30 Maluti
06 31-40 Maluti
07 41-50 Maluti
08 Above 50 Maluti

9. IF no, do you plan to open an account some time in the future ?

Yes/No
If Yes,

10. Reasons for planning to open an

account	with RSA bank	
1 0	01 better customer service	5 4 3 2
0	02 convenience when	5 4 3 2 1
	purchasing goods in the RSA	
1 0	03 access to loans in the RSA	5 4 3 2
	banks	
1 0	04 size and better prospects of	5 4 3 2
	RSA economy	
1 0	05 higher interest rates	5 4 3 2
1 0	06 Political instability in	5 4 3 2
	Lesotho	
1 0	07 faster funds transfers	5 4 3 2
1 0	08 wider range of products/	5 4 3 2
	services	
1 0	09 shorter waiting time	5 4 3 2
0	10 warmer/more respectful	5 4 3 2 1
	attitude of bank employee	
	11 other reasons (specify)	5 4 3 2 1 0

05 stocks and shares
06 business
07 farm
08 other (specify)

12. Reasons for investing in the RSA

01 higher returns 5 4 3 2 1 0
02 better services (specify) 5 4 3 2 1 0
03 size and better prospects of 5 4 3 2 1 0
 RSA economy
04 because of political instab- 5 4 3 2 1 0
 ility
05 other reasons (specify) 5 4 3 2 1 0

11. Do you have any financial, property or other investments in the RSA?

Yes/No
If yes, type of investment
01 Treasury Bills
02 Long-term Bonds
03 Insurance policies
04 Unit trust

Appendix B-Questionnaire: Households

Survey on Capital Outflows

05 3001-4000

06 4001-5000

07 above 5000

1. Age

2. Educational Attainment

01 No formal education

02 Standard 1-6

03 Standard 7, Form A

04 Technical/Vocational

05 JC/LPTC and Equivalent

06 COSC and equivalent

07 Post COSC

08 Degree or higher

09 Other education (specify)

6. When did you first open a bank account in Lesotho ?

01 prior to 1980

02 1980-1985

03 1986-1990

04 1991-1995

05 1996

6.1 Reason for opening a bank account with banks in Lesotho (or any other deposits-taking financial institution)

Weights

01 to earn interest 5 4 3 2 1 0

02 safe keeping of money 5 4 3 2 1 0

03 to get a loan overtime 5 4 3 2 1 0

04 to facilitate business transactions 5 4 3 2 1 0

05 to facilitate wages/salary disbursements 5 4 3 2 1 0

06 any other reason (specify) 5 4 3 2 1 0

3. Employment status

01 Self-employed

02 Employed for wages

03 Unemployed but seeking work

04 Other (specify)

4. Main Source of income

01 Farming

02 Business Income

03 Wages and Salaries

04 Migrant Cash Remittances

05 Other Sources (specify)

6.2 Estimated costs per trip when visiting banks in Lesotho

01 0 Maloti

02 1-5 Maloti

03 6-10 Maloti

04 11-15 Maloti

05 16-20 Maloti

06 21-30 Maloti

5. Monthly Cash Income (gross)

01 below 500

02 500-1000

03 1001-2000

04 2001-3000

- 07 31-40 Maloti
- 08 41-50 Maloti
- 09 over 50 Maloti

7. Do you have other financial investments in Lesotho

Yes/No, if yes type of investment
 (i) Treasury Bills, (ii) Insurances, (iii) Other
 (specify)
 If your answer in 7. is (i),
 When did you first invest in treasury bills?
 Prior to April 1992
 After April 1992

- 04 1991-1995
- 05 1996

8.2 Reason for using RSA bank (or deposit-taking financial institution in RSA, all reasons)

- 01 better customer service in the RSA 5 4 3 2 1 0
- 02 convenience when purchasing goods in the RSA 5 4 3 2 1 0
- 03 access to loans in the RSA 5 4 3 2 1 0
- 04 higher interest rate in the RSA 5 4 3 2 1 0
- 05 political instability in Lesotho 5 4 3 2 1 0
- 06 size and better prospects of RSA economy 5 4 3 2 1 0
- 07 warmer/more respectful attitude 5 4 3 2 1 0
- 08 shorter waiting time 5 4 3 2 1 0
- 09 faster funds transfers 5 4 3 2 1 0
- 10 better ATM facility in the 5 4 3 2 1 0

- 7.1 Reasons for investing in Treasury bills**
- 01 higher interest rate
 - 02 to diversify investments
 - 03 other reasons (specify)

8. Do you have a bank account in the RSA?

Yes, No
 If yes, go to 8.1, if No, go to 9 and 10

8.1 When did you first open an account with the South African Bank?

- 01 Prior to 1980
- 02 1980-1985
- 03 1886-1990

- 11 better credit card facility in the RSA 5 4 3 2 1 0
- 12 better overdraft facility in the RSA 5 4 3 2 1 0
- 13 better debit order facility in the RSA 5 4 3 2 1 0
- 14 other reasons (specify) 5 4 3 2 1 0

8.3 Type of Bank Account in the RSA

- 01 Savings account
- 02 Current account
- 03 fixed time deposits (31 days, 60 days, 88 days, 90 days, 6 months, 1 year)
- 04 Call account
- 05 other (specify)

8.4 Estimated costs per trip when visiting banks in the RSA

- 01 1-5 Maloti
- 02 6-10 Maloti
- 03 11-15 Maloti
- 04 16-20 Maloti

05 21-30 Maloti
 06 31-40 Maloti
 07 41-50 Maloti
 08 above Maloti

If no,

9. Do you plan to open one in the near future?

Yes/No

If Yes,

10. Reasons for planning to open an account with
 RSA bank

01 better customer service in the 5 4 2 3 1
 0

RSA

02 convenience when purchasing 5 4 3 2 1
 0

goods in the RSA

03 access to loans in the RSA banks 5 4 3 2 1
 0

04 higher interest rate in the RSA 5 4 3 2 1

05 political instability in Lesotho 5 4 3 2
 1 0

06 size and better prospects of RSA 5 4 3 2 1
 0

economy

07 warmer/more respectful attitude 5 4 3 2 1
 0

of bank employee

08 shorter waiting time 5 4 3 2 1
 0

09 faster funds transfers 5 4 3 2 1 0
 10 better ATM facility in the RSA 5 4 3 2 1 0
 11 better credit card facility in the 5 4 3 2 1

0

RSA

12 better overdraft facility in the RSA 5 4 3 2 1 0

13 better debit order facility in the 5 4 3 2 1

0

RSA

14 other reasons (specify) 5 4 3 2 1

0

**11. Do you have any financial, property and
 other investments in the RSA?**

Yes/No

If yes,

Type of investment

01 Treasury Bills

02 Long-term Bonds

03 Insurance policies

04 Unit trust

05 business

06 farm

07 stocks & shares

08 other (specify)

12. Reason for investing in the RSA

	Weights
01 higher returns	5 4 3 2 1 0
02 better services (specify)	5 4 3 2 1 0
03 size and better prospects for RSA economy	5 4 3 2 1 0
04 because of political instability in Lesotho	5 4 3 2 1 0
05 other reasons (specify)	5 4 3 2 1 0

Appendix B-Questionnaire: Households

Survey on Capital Outflows

1. Age

2. Educational Attainment

- 01 No formal education
- 02 Standard 1-6
- 03 Standard 7, Form A
- 04 Technical/Vocational
- 05 JC/LPTC and Equivalent
- 06 COSC and equivalent
- 07 Post COSC
- 08 Degree or higher
- 09 Other education (specify)

3. Employment status

- 01 Self-employed
- 02 Employed for wages
- 03 Unemployed but seeking work
- 04 Other (specify)

4. Main Source of income

- 01 Farming
- 02 Business Income
- 03 Wages and Salaries
- 04 Migrant Cash Remittances
- 05 Other Sources (specify)

5. Monthly Cash Income (gross)

- 01 below 500
- 02 500-1000
- 03 1001-2000
- 04 2001-3000
- 05 3001-4000
- 06 4001-5000
- 07 above 5000

6. When did you first open a bank account in Lesotho ?

- 01 prior to 1980
- 02 1980-1985
- 03 1986-1990
- 04 1991-1995
- 05 1996

6.1 Reason for opening a bank account with banks in Lesotho (or any other deposits-taking

financial institution)

Weights

- 01 to earn interest 5 4 3 2 1 0
- 02 safe keeping of money 5 4 3 2 1 0
- 03 to get a loan overtime 5 4 3 2 1 0
- 04 to facilitate business transactions 5 4 3 2 1 0
- 05 to facilitate wages/salary disbursements 5 4 3 2 1 0
- 06 any other reason (specify) 5 4 3 2 1 0

6.2 Estimated costs per trip when visiting banks in Lesotho

- 01 0 Maloti
- 02 1-5 Maloti
- 03 6-10 Maloti
- 04 11-15 Maloti
- 05 16-20 Maloti
- 06 21-30 Maloti
- 07 31-40 Maloti
- 08 41-50 Maloti
- 09 over 50 Maloti

7. Do you have other financial investments in Lesotho

Yes/No, if yes type of investment

(i) Treasury Bills, (ii) Insurances, (iii) Other (specify)

If your answer in 7. is (i),

When did you first invest in treasury bills?

Prior to April 1992

After April 1992

7.1 Reasons for investing in Treasury bills

01 higher interest rate

04 1991-1995

05 1996

6.2 Reason for using RSA bank (or deposit-taking financial institution in RSA, all reasons)

01 better customer service in the RSA 5 4 3 2 1 0

02 convenience when purchasing goods in the RSA 5 4 3 2 1 0

03 access to loans in the RSA 5 4 3 2 1 0

04 higher interest rate in the RSA 5 4 3 2 1 0

05 political instability in Lesotho 5 4 3 2 1 0

06 size and better prospects of RSA economy 5 4 3 2 1 0

07 warmer/more respectful attitude 5 4 3 2 1 0

08 shorter waiting time 5 4 3 2 1 0

09 faster funds transfers 5 4 3 2 1 0

10 better ATM facility in the 5 4 3 2 1 0

02 to diversify investments

03 other reasons (specify)

8. Do you have a bank account in the RSA?

Yes, No

If yes, go to 8.1, if No, go to 9 and 10

8.1 When did you first open an account with the South African Bank?

01 Prior to 1980

02 1980-1985

03 1886-1990

11 better credit card facility in the RSA 5 4 3 2 1 0

12 better overdraft facility in the RSA 5 4 3 2 1 0

13 better debit order facility in the RSA 5 4 3 2 1 0

14 other reasons (specify) 5 4 3 2 1 0

8.3 Type of Bank Account in the RSA

01 Savings account

02 Current account

03 fixed time deposits (31 days, 60 days, 88 days, 90 days, 6 months, 1 year)

04 Call account

05 other (specify)

8.4 Estimated costs per trip when visiting banks in the RSA

01 1-5 Maloti

02 6-10 Maloti

03 11-15 Maloti

04 16-20 Maloti

05 21-30 Maloti

06 31-40 Maloti

07 41-50 Maloti
 08 above Maloti

- 1 0
- 06 size and better prospects of RSA economy 5 4 3 2 1 0
 - 07 warmer/more respectful attitude of bank employee 5 4 3 2 1 0
 - 08 shorter waiting time 5 4 3 2 1 0
 - 09 faster funds transfers 5 4 3 2 1 0
 - 10 better ATM facility in the RSA 5 4 3 2 1 0
 - 11 better credit card facility in the RSA 5 4 3 2 1 0
 - 12 better overdraft facility in the RSA 5 4 3 2 1 0
 - 13 better debit order facility in the RSA 5 4 3 2 1 0
 - 14 other reasons (specify) 5 4 3 2 1

If no,

0

9. Do you plan to open one in the near future?

Yes/No

If Yes,

10. Reasons for planning to open an account with RSA bank

- 01 better customer service in the RSA 5 4 2 3 1 0
- 02 convenience when purchasing goods in the RSA 5 4 3 2 1 0
- 03 access to loans in the RSA banks 5 4 3 2 1 0
- 04 higher interest rate in the RSA 5 4 3 2 1 0
- 05 political instability in Lesotho 5 4 3 2

12. Reason for investing in the RSA

Weights

11. Do you have any financial, property and other investments in the RSA?

Yes/No

If yes,

Type of investment

- 01 Treasury Bills
- 02 Long-term Bonds
- 03 Insurance policies
- 04 Unit trust
- 05 business
- 06 farm
- 07 stocks & shares
- 08 other (specify)

- 01 higher returns 5 4 3 2 1 0
- 02 better services (specify) 5 4 3 2 1 0

- 03 size and better prospects for
RSA economy
- 04 because of political instability 5 4 3 2 1 0
in Lesotho