



Banknotes

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Some Reflections on Capital Budgeting

An Evaluation Tool for Investment Decisions



I. INTRODUCTION

Competition among firms or companies¹ dealing in the same products for customers and indeed among unrelated firms for resources, is ever increasing. This phenomenon compels companies to operate efficiently and attract resources away from competitors. Granted this environment, companies must of necessity select only those projects which will yield high returns, not only for the purposes of increasing the wealth of shareholders but also to ensure their survival. This inevitably calls for the employment of appropriate techniques in evaluating the projects for investment. A company may use only one technique, or a combination of them, whichever yields the best result. In this way, the firm will stay afloat, expand and increase its shareholders' wealth, as it must. It is in this context that this paper examines the various appraisal techniques used by companies.

¹:The two terms will be used interchangeably in this article

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REFLECTIONS ON CAPITAL BUDGETING



2. OBJECTIVES

The fact that all resources have an opportunity cost demands that they be deployed in a way that yields maximum benefits. The paper discusses the appraisal techniques that companies use in appraising projects for investment. It also explores the most commonly used techniques. The discount or hurdle rates companies employ when using discounted cash flow based techniques are also examined.

3. THEORETICAL FOUNDATION

Capital budgeting is a process by which firms evaluate the purchase of major assets, which may include buildings, machinery and equipment. However, the definition can extend to cover decisions to acquire other firms through either purchase of their shares or assets to continue in the same line of business. Capital budgeting is, therefore, the formal process by which the firm plans and decides to purchase equipment and to invest capital (Hampton, 1989).

It is important to note at the outset that there are numerous project evaluation techniques. Equally noteworthy is the fact that various cost of capital rates are used in appraising projects.

3.1 THEORETICAL EXPOSITION

This part discusses the known techniques of project appraisal as well as the hurdle or discount rates used in costing capital for investment purposes. Theoretically, there are a number of project appraisal techniques which are also examined.

The payback period (PBP) method is one of the oldest techniques of project appraisal. This method involves simply determining the length of time it takes to recover the amount of capital invested in a project. The problem with the technique is that it emphasizes liquidity rather than profitability of the project. It also ignores the time value of money and fails to account for cash flows beyond the payback period. It is however useful where a firm needs cash quickly and operates in risky environments. It is also simple and easy to calculate.

The accounting rate of return (ARR), which measures net profit as a percentage of the total cost of a project, is another time-honoured method of project appraisal. The ARR, unlike the PBP, does emphasise profitability but just like the PBP it ignores the time value of money as it does not discount present value. The ARR is only useful in assessing the

potential effect of a major project on the financial statements.

There are a number of other techniques, that are based on discounted cash flows (DCF). First, the net present value (NPV) method is considered. This method discounts the project's cash flows using the required return as the discount factor or hurdle rate. If the net present value is positive the proposal's forecast return is higher than the required return and the project is accepted. The project is rejected if the NPV is negative. The rationale is simply that a project with positive NPV permits the firm to repay invested capital and provide the required return on capital (Hampton, 1989).

The internal rate of return (IRR) is another DCF technique. This project evaluation technique tries to determine a discount factor which equates discounted net cash flows to the original investment outlay. The IRR on a project is its expected rate of return, so that if it exceeds the cost of capital used to finance the project there will be a surplus, which augments the shareholders' wealth. As such it is easier for managers to understand and interpret. The problem with the IRR is that it can yield multiple IRRs for a project with non-normal cash flows.

The modified internal rate of return (MIRR), an offshoot of the IRR, is an improvement on the IRR for two reasons. This method discounts cash flows at the cost of capital rather than at the project's IRR. This obviously reflects the true profitability, or lack of it, of the project. Second, it obviates the problem of multiple IRRs and it is also easier to calculate than the IRR (Brigham, 1995).

Another DCF-based project evaluation technique is the profitability index (PI), otherwise known as cost benefit analysis. This is obtained by dividing the present value of future returns by the required initial year investment outlay. It shows the relative profitability of a project such that the higher the index the more profitable the project is and the lower



it is the less profitable is the project (Garden and Lees, 1984).

An equally important consideration in capital budgeting is the discount factor, commonly referred to as the cost of capital or hurdle rate. This is pivotal to capital budgeting whether or not a company is using internal sources of capital in financing projects. This is crucial in the sense that firms have various sources of capital, which attract different costs including opportunity cost. The discount factors that can be used are after-tax component cost of debt; component cost of preferred stock; component cost of retained earnings and the weighted average cost of capital (WACC). No attempt will be made to show how each of these component costs of capital are calculated, save to mention that the WACC is arrived at by weighting various component costs by the shares of various sources of financing in the capital structure.

Conceptually, and perhaps practically also, there is a high degree of consensus that DCF techniques, especially the NPV, are superior to other methods and, therefore, should be preferred in project appraisal. There is also general agreement in the literature that the WACC is the best hurdle rate in the sense that it is a composite rate and, therefore, generally captures most, if not all, of the risks. This sentiment is emphasised by Brigham (1984) arguing that discounted cash flow techniques should be used in capital expenditure evaluation. Furthermore, the use of WACC as a hurdle rate, which hinges on capital market conditions as reflected in interest rates and the amount of capital the firm plans to raise during the budget period is recommended.

3.2 EMPIRICAL WORK

This section provides insights into the methods that have been used in practice and also focuses on the hurdle or discount rates, that have been applied in appraising projects for investment. The PBP technique was still widely in use as late as 1984 and perhaps it is still being used today. Statman (1984) criticizes the method on account that it may result in decisions that deviate from present

value maximization of the firm. Schall et. al (1978), as cited by Statman, found in a study that 74 percent of the firms used the PBP, 2 percent of which had it as the only technique. The same study showed that 64 percent of the firms that used NPV and IRR also used the PBP.

The use of the PBP is traced to the liquidity preference of the firm, in that shorter payback periods permit companies to apply funds to alternative projects early enough. According to Statman (1984), use of the PBP is the upshot of the conflict of interests of owners and managers of firms. Whereas owners will be indifferent between two investment projects with the same NPV despite one having a longer period, managers would prefer projects with shorter gestation periods, particularly, if their compensation is tied to annual cash flows from the projects. Shareholders would be indifferent because they can always sell off their shares while managers would want to benefit now and are not interested in cash flows occurring after their departure from the company.

The resolution of the conflict of interests between managers and owners lies in proper incentives through a compensation plan (Jensen and Meckling, 1976). This view is supported by Larcker (1980) who, from a survey, concluded that capital investment in long term projects rise with long term compensation plans for managers.

Hastie (1984) argues that utilization of more refined techniques of project appraisal than the PBP or ARR, for example, will not improve the quality of decision-making or corporate profitability. More importantly is the ability to make better assumptions about the projects to avoid bad investment decisions. Errors in assumptions may be due to inordinate conservatism or optimism as well as poor judgment about future occurrences. Significantly, project risks and all strategic aspects must be given more thoughtful review as opposed to concluding that ranking of projects on the basis of any chosen criterion is sufficient for making a decision. It is important to note that the use of the more sophisticated techniques, such as the NPV, IRR or MIRR, must be accompanied by good incremental analysis, consideration of the strategic aspects of investment and subsequent communication of the impact of different assumptions on measured outcomes of the project.

On the basis of a study, Durnev et. al (2004) add a different dimension which is that corporate governance problems linked to managerial self interest, ignorance or incompetence may lead managers to make capital budgeting decisions that do not maximize market value. Furthermore, sub-optimal capital budgeting may be a consequence of costly external financing owing to information asymmetry between managers and investors or liquidity



Any capital budgeting exercise that ignores the time value of money will have adverse effects for business firms leading to sub-optimal allocation of resources.

constraints. Hendricks (1984) amplifies this view, positing that any capital budgeting exercise that ignores the time value of money will have adverse effects for business firms leading to sub-optimal allocation of resources. In a survey, the results revealed that 66 percent out of 193 companies used the IRR as their primary technique in capital budgeting. The reason for its preference is that it takes into consideration the value of money and is fairly simple to understand.

There are also suggestions that a real hurdle rate should be employed instead of the nominal one. It was found that 50 percent of 193 companies adjusted estimated cash flows for anticipated inflation when analyzing individual investment projects.

The use of a DCF but not WACC as a hurdle rate could deny the company an opportunity to raise its value by not raising funds to invest in all projects whose estimated return exceeds the cost of capital. Also, absence of knowledge of the cost of capital could result in investment where returns are less than the cost of capital. To avoid a biased appraisal of capital projects, firms that adjust the WACC for inflation and use it as a hurdle rate must also adjust the estimated cash flows for inflation. Although it is controversial how the cost of capital should be measured there seems to be consensus that a risk-weighted WACC is appropriate for screening proposed investments.

The foregoing analysis indicates that a number of project appraisal techniques exist and are variously used by firms for one reason or another. It is also evident that firms can use a combination of techniques just to be sure they are making the right choice. Not surprisingly, some firms use non-DCF techniques along with the DCF ones as they convey different messages. Not less crucial is the fact that firms use the WACC as a discount factor and where they use any other discount rate they factor in risk. Some firms go a step further to adjust discount rates and estimated future cash flows for anticipated inflation. Also worth noting is that good judgments about future events, evaluation of impacts of various assumptions on measured benefits of and

strategic purposes of projects, as well as risks, are more important in evaluating a project than use of more refined techniques for making investment decisions.

4. CONCLUSION

It is clear that capital budgeting is not a simple process. It is involving and requires meticulous attention, assiduity and a high level of care to avoid obvious risks which could lead to avoidable losses and concomitant reduction in shareholders' wealth. For this reason, therefore, boards of directors of companies must leave more technical issues to the managers who ordinarily are sufficiently equipped to understand them and make better judgments. Managers themselves must make appropriate choice in respect of evaluation techniques as well as discount rates. Obviously, the WACC is a more appropriate rate as it encapsulates a multiplicity of risks associated with market conditions. It is undeniably important that companies must do thorough work in evaluating the impact of various assumptions on proposed projects to minimize errors of judgment and must couple this with scrutiny of risks and strategic purposes and any other aspects of the project. A combination of these factors should undoubtedly result in minimization, if not avoidance, of bad investment decisions.

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Know Your

DEBT-INCOME-RATIO

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Photo by Johan Snyman

INCOME:

- Monthly figure after all deductions for income taxes, employee benefits, etc;
- Regular income from other sources, e.g. child support or alimony;
- Conservative averages of tips, commissions and bonuses;
- Earnings from dividends and interest; and
- Any other income.

DEBT SERVICE COSTS:

- Car payments,
- Credit card payments,
- Loan payments,
- Bank/credit union loans,
- Student loan payments,
- Other loans/credit accounts,
- Payments for past medical care, and
- Any other.

Living in this era where the world is driven by finance and money matters, requires that each one of us know their financial standing. As such, at any given point in time, one should be in a position to know, or at least have an idea, of one's debt-income-ratio. Before one can even apply for a loan, the ratio should provide an idea of how much one can afford to borrow. This is the very same ratio that is used by lenders in processing loan applications.

Debt-income-ratio compares the amount that one's debt costs to service each month with one's monthly take-home pay. It is, therefore, useful to consider one's credit status. For the maths-impaired, this may sound technical and/or even cumbersome, but one should wait until one sees how it is done. All the information that has to be used in calculating the ratio is already known, hence there is no need to go researching.

Basically, the lower one's debt-income-ratio, the better off one is financially, and vice versa. A ratio of between 20 percent and 35 percent is considered by many to be acceptable, and anything higher signals that one needs to take control of one's credit. However, the higher one's income is, the more likely one is able to borrow beyond the 35 percent limit without causing financial hardship.

To be able to do the maths, you have to be in a position to know what constitutes income and debt-service costs.

Once one has all the information and numbers, one can calculate one's debt-income-ratio as illustrated below: Therefore, debt-income-ratio is given by $P7\ 000.00 \div P13\ 000.00 = 0.538$ or 53.8 percent.

See box below for comparative purposes.

Debt Item	Amount	Income Item	Amount
Mortgage/Rent	P3 500.00	Gross Income	P12 000.00
Car Loan	P2 500.00	Income on Savings	P 500.00
Credit Union Loan	P 500.00	Dividends	P 500.00
Medical Advance	P 500.00		
Total Debt	P7 000.00	Total Income	P13 000.00

CHECK BOX

Ratio Status (Percent)	
20 or less	Healthy debt load to carry for many people.
21 – 35	Not bad, but start paring debt now before you get into trouble.
36 – 50	Financial problems/difficulties are probably imminent unless one takes immediate action.
51 or more!	Get professional help to reduce debt.



Unregulated CREDIT MARKET

Evidence of Missed Investment Opportunity for Banks?

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I. INTRODUCTION

This article hypothesises that there are possible unintended linkages between the bank credit and unregulated credit (or micro-loan) markets. In that sense, it postulates that there could be arbitrage opportunities in existence. The argument is made that the credit rationing literature needs to be qualified somewhat for it to provide a useful explanation of a supposedly high-risk borrowing. The article aims at stimulating an interest in the lending activities of the micro loan market in Botswana, say, possibly leading to empirical studies on this unconventional lending practice.

2. THE ISSUES

It is possible to argue that the preponderance of micro-loan market operations in Botswana, for example, signifies a neglect of an active market by banks. The contention is that if banks had been all-encompassing in their lending operations, then there would be no gaps left to fill by the unregulated credit market. Indeed, this could be a classic case of bank loan supply falling behind loan demand. While the willingness by borrowers to do the unconventional, i.e., knowingly pay exorbitant interest rates, surrender automated teller machine (ATM) cards, etc., may seem an act of desperation it, at the same time, provides an opportunity for lenders to exploit. Conventionally, this may seem like a ripe market for banks to serve.

According to the credit rationing literature (by Weiss and others), however, risk avoidance explains the reluctance by banks to get involved with certain individuals. The literature argues that in pursuit of risk-adjusted returns, there exists a loan limit beyond which banks would not supply loans irrespective of the loan rate promised by the borrower. Indeed by promising to pay a high rate, say 50 percent, the borrower might inadvertently be revealing how risky he/she really is. Banks deal in depositors' funds, not their own money, and while a profit motive is certainly an objective function, they have to estimate the likelihood of recovering the borrowed funds. In other words, the lure of high returns does not obscure the probability of default, at least in theory.

3. A HYPOTHETICAL OPERATING SCENARIO

It seems useful to consider what the modus operandi of the micro-loan market might be. Presumably, this market is profitable which would explain its continued existence. While



an empirical investigation could shed more light into the dynamics of this market, it is equally worthwhile to hypothesize about how it may be functioning. Reported unconventional lending practices such as confiscating borrowers' ATM cards seem to be an acknowledgement by lenders that this is a risky market consistent with the credit rationing literature. It is also required that the borrower submits his/her bank statements

and pledge a collateral in some cases. All these actions seem intended to minimise default risk. Curiously, banks have access to the customer's bank statements and may require collateral but may still be reluctant to provide a loan to the individual or individuals in question for reasons already cited above.

It is likely that there exists a plethora of arbitrage opportunities in the loan market. While a micro-lender might be using his/her savings as an investment base, there is equally a good chance that he/she also sources some of his/her investment resources from banks and in turn on-lends these to his/her customers at a much higher rate, with the difference between what he/she pays to the banks and earns from his/her customers accruing to him/her as profit after having adjusted for all other operating costs, including the cost of bad debts. The micro-lender is himself/herself a creditworthy borrower based on his accumulated wealth, inheritance, etc. If this scenario is correct, then the story being told by the credit rationing literature lacks sophistication. To be sure, banks may not be directly involved with the risky borrowers but to the extent that they are propping up the middle-man, i.e., the micro-lender, then they are not uninterested observers. If it is true that micro-lenders are recycling bank-sourced funds in this way, are banks then in cahoots with them? Not really. Traditionally, banks' interest lies in recovering their loan funds plus interest income, which is their modus operandi. If a customer chooses to borrow money and engage in a retail or financial business that is viewed as "bad", as is the case when ATM cards are being confiscated, then ordinarily a bank would not be perturbed providing its chances of recovering its borrowed funds are not interfered with. However, current fears arising out of money laundering and the financing of terrorism are compelling banks to re-examine their traditional practice of only focusing on obtaining profits; and as a result they are being required to be vigilant about how their financial resources will be used. It is not immediately obvious, however, that micro-lenders' operations are necessarily harmful to the borrowers and thus deserving closer scrutiny. While some of



their practices such as confiscating ATMs are certainly objectionable it is debatable as to what 'harm' this does to the borrower particularly since the borrower always has the option of changing his/her personal identification number (PIN) once he/she has settled the loan with the micro-lender. Furthermore, this is a loan he/she might otherwise have not obtained if the story, told above, about filling the gaps left by the banks is correct.

Moving between loan markets may not be limited to micro-lenders alone. It is conceivable that ordinary customers obtain loans from one end of the market to settle loans they may have obtained in the other end of the market. In other words, they may take loans from banks to settle loans in the micro loan market and vice-versa. Presumably, customers would behave in this way in the belief that they are ridding themselves of the burden of loans. Ironically, by so doing they are keeping themselves in perpetual indebtedness thus keeping unregulated loan market operational for some time to come. While on the surface at least obtaining loans from a micro-lender to clear a bank loan may appear illogical

because of the high charges, this process may make sense if the loan is for a short duration and was obtained for purposes of getting a new relatively low cost loan from the bank some of which would be used to settle the micro-loan. This process may rightly be called round tripping. If this is the case then it is not clear who the borrowers from the micro-lending market are. They may not necessarily be those with whom banks are reluctant to do business, i.e., uncreditworthy ones. This makes the story of the loan market somewhat complicated.

4. CONCLUSION

The unregulated micro-lending and bank loan markets are possibly inextricably interlinked. Capital financing from the banks may be keeping the unregulated loan market afloat and in turn capital funds may be flowing from the micro loan market to banks through both the micro lenders themselves and/or individual customers. If this is so, the presumption that banks are missing the opportunity to profit from supposedly high-risk borrowers, as the literature implies, may be bereft of the details, thus requiring some qualification.



Walking for Fitness, Walking for Life

By Marshall Kgogothwane

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If I could fall
Into the sky
Do you think time
Would pass me by
'cause you know I'd walk
a thousand miles
If I could
Just see u tonight

The lyrics hail from Vanessa Carlton's 2002
Top 40 song, "A Thousand Miles"

The mileage in the song is, of course, figurative, but what if someone did decide to walk a tiny fraction of that distance for love, for charity or for health. Whatever the reason, it would certainly come with unparalleled benefits to one's health and well-being. In the pursuit of life and its joys we often forget the most critical ingredient to that equation – our bodies. Only a healthy body will support this undertaking both in the long and short terms. A brilliant and active mind works

best in a healthy body. I believe we do have a good number in this Bank.

**An honorary member of Couch
Potatoes Anonymous?**



Whether you are the pound-the pavement-kind of person or an honorary member of the Couch Potatoes Anonymous, there are immense benefits to derive from regular physical exercise. The pace of city life, the demands of work, family, leisure (junk food, alcohol & smoking (even non smokers are passive smokers, by the way)), business and other activities that make our lives have serious negative effects on our bodies, minds and souls, leaving us depleted of energy, feeling tired, ill-tempered, unhappy and that modern day illness – STRESS, resulting in obesity, heart illnesses, premature aging, high blood pressure etc. Nature has an easy answer to some, if not all, of these problems/afflictions. What could be easier than walking? Fitness walking reaps as many rewards as other physical activities, and it doesn't need special equipment or training. And one doesn't have to drive 10 kilometres to the gym.



Sedentary (non active TV type) lifestyles have repeatedly been held partially responsible for the excessive gain in weight, heart disease, hypertension, high blood pressure, stress and related maladies. This is why many health groups and medical associations are now promoting campaigns on how to incorporate physical activity into daily life. One can even recall in the old days in primary schools we used to have a period designated for exercise (Drill). And since these organisations recognise the challenge of getting people moving, many have included fitness walking into their recommendations. Something is better than nothing. "Everyone, even people who are totally sedentary, if they get up and do something, that's better than sitting in a recliner chair, sofa or couch, probably watching TV and getting lazy and overweight."

Besides, walking is something most people arguably know how to do, usually without requiring expensive equipment (except for may be, shoes). It can be done for any length of time, and the intensity can be adjusted according to age, health status, and fitness goal. Plus, there are so many kinds of fitness walking, from Strolling to Brisk walking to Marathon walking to Power walking. And rest assured that one would have the best legs in the block! So, "walk this way!" as the rock group Aerosmith would shout, and maybe one step could lead to a thousand, and that could lead to better health. Fitness walking "gives people purpose to get out and do something. It improves their health, it improves their blood pressure, they can lose weight, and it just keeps them flexible and happy. These observations correspond well with the scientific research on physical activity. According to AHA (American Heart Association), vigorous activities that include brisk walking and moderate activities that include walking for pleasure can help reduce the following risk factors for heart disease:

High blood pressure

- Diabetes • Obesity and overweight • High levels of triglycerides
- Low levels of HDL ("good cholesterol")

Additionally, fitness walking is easy to do and can achieve the same cardiovascular benefits as many forms of physical activity. The heart is really a very nice part of the body. It doesn't know or care whether you are walking bare-foot or you are in a Nike gear costing or worth P2000, or in a million Pula treadmill. Good forms of exercise supposedly include activities that burn fat, use large muscle groups, or happen over good distances. So go out. Hit the Western by pass. Walk and reap the beauty and joy of walking.

At the other end of the spectrum, walking can also help meet children's health needs. Kids need to expend enough calories during the day to maintain desirable health levels and weight. Plus, they need to expend energy consistent with building bones and muscles for fitness and normal growth and development.

Here is one more reason to exercise and believe it or not it's not heart related. Research show that exercise significantly improves a man's sex life, and may add years to his sex life and lower chances of impotence. As men age, the chance of impotence increases, but research shows that exercise can keep a man going significantly longer. Results showed that men who were physically active reported better sex life. Frequent vigorous exercise, the equivalent of running at least three hours a week or playing tennis five hours a week, produced the most benefit. BUT BAD LIFE, BEING OVER WEIGHT, WATCHING MORE THAN TWENTY HOURS OF TV a week, TOO MUCH DRINKING AND SMOKING offsets all these benefits. The

“ We can adopt the “garbage in garbage out” theory. What we put in is what we become. ”



Photo by Ulrik de Wachter

Photo by Brande Murry

findings are in the August 2003 issue of *Annals of Internal Medicine*. For overall health, moderate amounts of activities such as a brisk walk of at least 30 minutes a day every day are recommended. Don't age prematurely and live painfully - always tired, no energy, stressed, bad tempered, pained, etc.

WALKING THROUGH LIFE

Putting one foot ahead of the other may yet be the easiest form of exercise because it can readily be incorporated into daily life. The following tips can make fitness walking seemingly effortless and enjoyable whether one is doing it for love or against love handles.

AT HOME

- Go out for a short walk before breakfast, after dinner or both.
- Walk to the corner store instead of driving.
- Instead of asking someone to bring you a drink, get up off the couch and get it yourself.
- Walk instead of watching TV.
- See neighbours.
- Walk the dog, yes....walk that dog, you'll both love it. (Please have it on leash, even if it's not a Pit bull). Take the kids along! ALWAYS.
- Do your gardening and cleaning yourself - for fitness sake!

AT WORK

- Take the stairs instead of the elevator.
- Walk down the hall to speak to someone instead of using the phone (if you think it would take productive time, then don't use the phone it eats more time - joking, but seriously).
- Walk around your building for a break during the workday and during lunch.
- Always walk to the main mall instead of driving, it's not far!

OUT AND ABOUT

- Get off a stop or two early from the kombi, and walk the rest of the way.
- Park farther away at the shopping mall, and walk the extra distance.
- Walk around while waiting for someone or for a game to begin.
- Walk while waiting for the plane at the airport.
- Enjoy seeing new (and indeed even old) parts of the city by walking.
- Walk, walk. and walk. Don't start

appreciating the pleasure of walking after losing your legs due to inactivity, or sad still, an accident. If we don't use some parts of our bodies, they degenerate quicker...that includes even the brain...that's why we have to keep on thinking, otherwise...one can imagine (or can't even imagine).

- Have kids walk to and from school (don't pretend you love them by driving them to school a mere one kilometre away..)
- Conduct an informal meeting with a colleague while taking a walk.

BE AN ACTIVE ROLE MODEL.

Many people, including children are overweight, and a good percentage is obese. These should be enough reason to go out. Most people probably know that they should be working out, but they can't just bring themselves to take the plunge (sacrifice an hour for the bar, miss out on a soapy, etc. But then in due time we'd all be forced to know our priorities, unfortunately when its often very late). Not surprisingly, many people avoid exercise because they don't find it remotely appealing. (But again many people avoid using condoms or seatbelts because they don't find them appealing). We shouldn't allow appeals or tastes to dictate our actions over and above the positive benefits. And with busy schedules, physical activity becomes an even lower priority. This is ironical because this is the time one needs to be in superb physical condition in order to cope. It is, however, important to find something that you like doing, not just something fashionable like gym or the entire exercise gadgetry. Just go out and walk. Walking is the most natural and painless of all forms of exercise that one can think of. It comes at very little cost. We have abundant space and a relatively unpolluted air.

Lastly all physical exercise must be supported by a sensible approach to diet. Good nutrition is absolutely essential for overall

physique. We can adopt "the garbage in garbage out" theory. What we put in is what we become. What and how one eats is also very critical to one's overall well being. Consuming most of one's calories from processed and fast foods is going to produce an unhealthy body. Make good food choices in order to have a leaner and healthy body. Exercise alone is great for expending calories, but without watching one's diet, it would be a long, slow and arduous road to getting physically healthy. We should not despair. We should persevere since the benefits are worth the effort.

We should maintain body weight by balancing physical activity with what we eat. If one is sedentary, one should try to be more active. If one is already very active, one should try to continue the same level of activity. More physical activity is better than less, and any is better than none.

Every body is concerned about productivity and motivation, and yet we tend to focus entirely on extrinsic factors, often completely over looking physical well-being. That is why stress hits even the highest paid. FACT: A productive and healthy mind can only function effectively and efficiently in a healthy body.



Photo by Marcel Aniceto

A World Without Purpose

By Lekgoanyana Keolopile
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Everything in life has a purpose; ignorance of purpose does not cancel purpose. But not every purpose is known: where purpose is not known, abuse is inevitable. Purpose is the key to fulfillment. Purpose is the only source of individual and corporate fulfillment, It is the key to life and without it life has no meaning, It is the original intent for the creation of a thing. Purpose is the cause for the creation of a thing; it is the desired result that initiates production.

Purpose is the need that makes the manufacturer produce a specific product; it is the destination that prompts the journey. It is the objective for the subject, the aspiration for the inspiration and the object one wills and/or resolves to have.

Without purpose, life is an experiment or a haphazard journey that results in frustration, disappointment and failure. Fulfilling purpose must be the primary goal of every person. All things begin and end with purpose. We are designed for our purpose and we are perfect for our purpose. Purpose is individual, that is to say, we are the way we are because of why we are. Our birth is evidence that our purpose is necessary. We were born with and for a purpose. Purpose is permanent, it is resilient.

Purpose gives confidence, provides protection, empowers perseverance, introduces and maintains objectivity, sustains contentment and creates joy.

A lack of purpose and the impending tragedy that results from its absence is found not only in people but also in all things. When elements of nature lose their purpose, chaos and destruction are the results. When nations, societies,

communities, organisations, friendships, marriages, clubs, churches, countries or tribes lose their sense of purpose and significance, then confusion, frustration, discouragement, disillusionment and corporate suicide - whether gradual or instant - reign. Purpose is the master of motivation and the mother of commitment. It is the source of enthusiasm and the womb of perseverance. Purpose gives birth to hope and instills the passion to act. It is the common denominator that gives every living creature an element of distinction.

Planet earth is like a mother whose children have lost all sense of direction and all value in life. The world has become an incubator of stress, depression, hopelessness and fear. There is also a generation in every nation that seems to have lost its sense of purpose. They are out of touch with the values, morals and convictions that build strong families, secure communities, healthy societies and prosperous nations. Thus, the moral

fabric of most societies is being stretched and tested to its outer limits. Everywhere the concern is the same.

History shows that the value of life decreases and the quality of existence diminishes when a generation loses its sense of destiny and purpose. A quick glance at today's world exposes a sad picture that demands public attention. We preserve nature, for example, but kill babies. We build solid houses but cannot construct lasting homes, we are smarter but not wiser, bigger but not stronger. We know more but understand less, and we live longer but enjoy life less fully. We write more books but fail to take time to read them. We go faster but get nowhere. We conquer space but cannot conquer our habits; we protect whales but abuse our children. We go to the moon but wander far from home, and flirt with fantasy to avoid reality.

Reference

Myles Munroe, *In Pursuit of Purpose*





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Christmas with Carols!

I have old cassettes full of Christmas carols that were given to me by a pen pal in Jeddah, Saudi Arabia. I play the songs every year during Christmas and they get me in the mood for celebration and to think about the New Year. Let me share one of the songs with you. It goes like this (please feel free to join me in chorus):-

*Christmas has come
Greetings, Godfather
Day of Christmas
It is sparkling!*

*I miss you on Christmas
Christmas in my heart
It's Christmas my dear
How many Christmases
My Christmas gift
Christmas for everybody
Our greetings is a merry Christmas
Greetings, Godfather, greetings
Godmother
Who is Santa Claus!*

That is so sweet. I wish everyday was Christmas day. All the days would be colourful and there would be plenty to eat for everyone. I wish you a merry Christmas! I wish you a merry Christmas! I wish you a merry Christmas and a happy New Year!!!!

