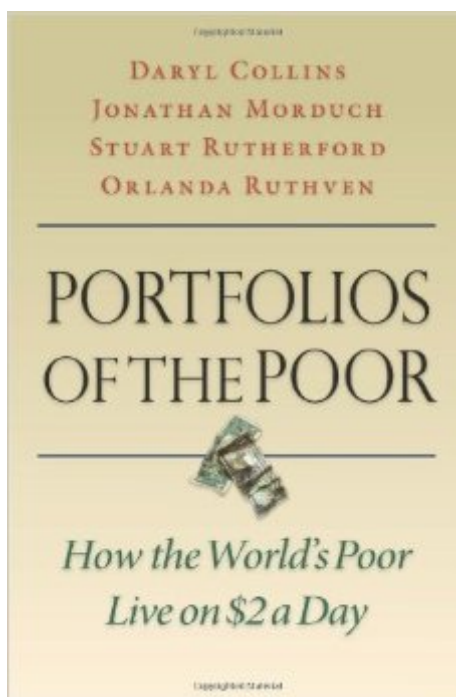


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# Portfolios Of The Poor: How The World's Poor Live On \$2 A Day



## Synopsis

Nearly forty percent of humanity lives on an average of two dollars a day or less. If you've never had to survive on an income so small, it is hard to imagine. How would you put food on the table, afford a home, and educate your children? How would you handle emergencies and old age? Every day, more than a billion people around the world must answer these questions. *Portfolios of the Poor* is the first book to systematically explain how the poor find solutions to their everyday financial problems. The authors conducted year-long interviews with impoverished villagers and slum dwellers in Bangladesh, India, and South Africa--records that track penny by penny how specific households manage their money. The stories of these families are often surprising and inspiring. Most poor households do not live hand to mouth, spending what they earn in a desperate bid to keep afloat. Instead, they employ financial tools, many linked to informal networks and family ties. They push money into savings for reserves, squeeze money out of creditors whenever possible, run sophisticated savings clubs, and use microfinancing wherever available. Their experiences reveal new methods to fight poverty and ways to envision the next generation of banks for the "bottom billion." Indispensable for those in development studies, economics, and microfinance, *Portfolios of the Poor* will appeal to anyone interested in knowing more about poverty and what can be done about it.

## Book Information

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## Customer Reviews

I have to disagree with a previous reviewer: this is a very easy to read book. I was going to say a high school student could read this, but really, with just a few exceptions, a middle school student

could follow this, and that's a compliment. I imagine the first thoughts people in the "First World" have when they hear how many people survive on \$2 (or less) per day is how overwhelmingly impossible and desolate that must be. If they get past that, one of the next thoughts might be, "who's paying them that every day?" It's easy to puzzle out that the very poor do not, most likely, get that money on a regular basis, and then the question of how they survive becomes even more unfathomable. This work goes a long way toward answering that question. After following over 200 families in Bangladesh, India and South Africa, the researchers made a number of surprising conclusions. First, contrary to what we might assume, the very poor do not live hand-to-mouth, immediately consuming all of their very small resources as soon as they arrive. They are able to pay for participation in festivals, weddings, funerals, emergencies and education, just to name a few. Second, and most importantly, the poor are able to do this through a variety of financial instruments- formal, semiformal and informal- that show a level of sophistication that most wouldn't expect. However, as one can easily imagine, both the small total amount of income and the irregularity with which it arrives creates stressful situations when those sums have to be raised. In many cases, they are raised, but most have to make more use of loans than savings. While many of those loans are even interest-free, the financial and social anxiety they create have costs of their own, which many are eager to avoid.

This book makes a major contribution to our understanding of global poverty. *Portfolios of the Poor* reports the findings of a series of detailed, year-long studies of the day-to-day financial practices of some 250 families in India, Bangladesh, and South Africa, including both city-dwellers and villagers. The authors conducted monthly, face-to-face interviews with each family, focusing on money management and recording every penny spent, earned, or borrowed in *diaries* that formed the principal source for their observations. In the process, they made discoveries that will surely be surprising to some readers: *"The poor rarely live from hand to mouth. [N]o matter where we looked, we found that most of the households, even those living on less than one dollar a day per person, rarely consume every penny of income as soon as it is earned. They seek, instead, to manage their money by saving when they can and borrowing when they need to."* *"Lack of money is just one of the financial characteristics of poverty. It's equally important that poor people's income is both unpredictable and irregular. Crops come in two or three times a year, yielding whatever the weather may permit and the market may bear; between-times a family may have no cash income at all. A son might get a job for a day but not again for a week or a month. Illness or injury may interrupt a family's income. And so forth."*

¶ Rather than helpless victims of their poverty, the authors found, the poor are remarkably sophisticated about the financial circumstances of their lives. ¶ We came to see that money management is, for the poor, a fundamental and well-understood part of everyday life.

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