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PoP Briefing Note # 4

Research Methodologies

A Closer Look at the Research behind *Portfolios of the Poor: How the World's Poor Live on $2 a Day*

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Portfolios of the Poor offers new thinking about how the world's poorest communities manage their financial lives. To uncover these intimate details, researchers designed a study in which they interviewed poor households twice a month over the course of a year, and recorded the details of how they lived their financial lives. These "financial diaries" encompass data from nearly 250 households in Bangladesh, India, and South Africa, and reflect a mixed-research methodology that is systematic in data collection while simultaneously captures the complexity of people's lives.

The Financial Diaries Approach

The Bangladesh diaries, led by Stuart Rutherford, posed a very simple question that had never been satisfactorily answered: do poor people have financial lives? Rutherford focused on the range of financial instruments they used, trying to tease out the trajectory of every penny that went through financial manipulation, and find out why households made the choices they did. In India, Orlanda Ruthven sought to understand financial lives in the context of the livelihoods of the households that used them, and to do so she collected more detailed income and expenditure data alongside the financial data. In the South African diaries, Daryl Collins shifted the emphasis to the quantitative, in order to subject the data to a broader range of financial analysis, creating a system that allowed an expansion of the sample size to the point where statistical analysis became more feasible.

It's important to note that these are not "diaries" in the true sense, as instead of relying on the households to maintain these records, researchers employed a team of skilled interviewers to conduct bimonthly home visits and gather the household transaction information. The data collected during these exchanges was used to create household-level balance sheets and cash-flow statements. Money-management was the focus, thus, the data reflected only those transactions where cash was involved. The fortnightly interviews focused on information gaps and imbalances, and researchers attempted to narrow the margin of error between the recorded sources of funds and uses of funds. Research teams were encouraged to persevere until they had traced the full chain of transactions.

The Interviews

The household served as the "unit of research." Interviewers were encouraged to speak with all adult household members as often as possible. They worked to establish respectful, honest relationships where households felt comfortable revealing sensitive information. To this end, authors relied upon researchers who spoke the local dialect and were not too distant in class from the household members. Conversations also explored the emotions that accompanied financial transactions in order to gauge the importance of specific financial activities. The result captured quantitative and qualitative data in the moment, across time.

The Demographics of the Survey Sample

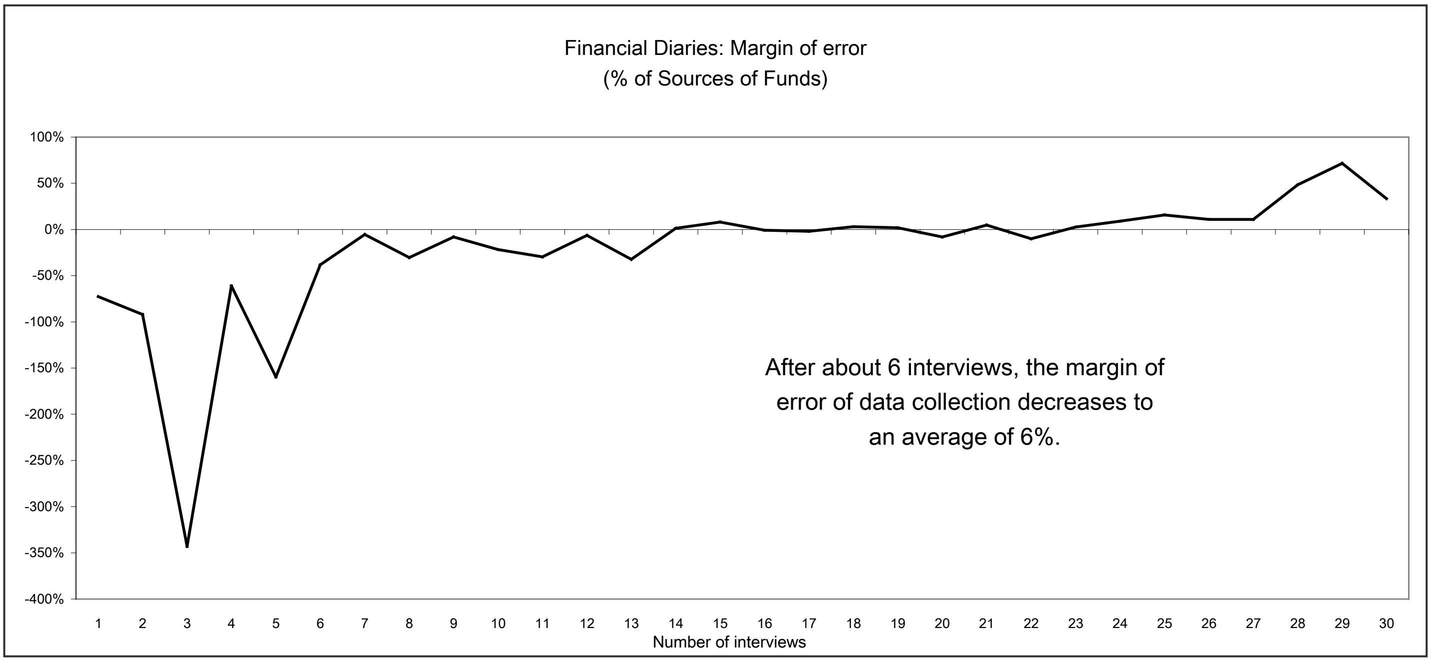
The authors collected nearly 250 completed diaries: 42 from Bangladesh; 48 from India; and 152 from South Africa. The households were from both urban and rural locations. In Bangladesh, the rural sample resided in three adjacent hamlets in rural north-central Bangladesh, and the urban sample resided in Dhaka slums. Rural diarists in India lived in eastern Uttar Pradesh, and the urban diarists in three settlements in Delhi. In South Africa, rural diarists resided in a village outside Mount Frere in the Eastern Cape, and the urban sample came from townships outside of Cape Town and Johannesburg.

The Continuum of Household Research: Where do the Financial Diaries fall?

The financial diaries addressed an important information gap in our understanding of how the world's poor manage their finances. Smaller ethnographic and anthropological studies and market surveys are better able to examine behavior, but they seldom provide quantified evidence of tightly defined economic behavior over time. At the other end of the spectrum are quantitative surveys, like nationally representative economic studies employed by governments and large-scale institutions, which can be excellent sources of research for calculating population figures and gauging household consumption, though the breadth of this work can offer limited insight into how the poor actually live. Surveys in this category ask questions about loans and savings, but mostly ignore or underreport informal devices and services, and offer only a summarised snapshot of the household's financial behavior. Given this gap, researchers launched the financial diaries to discover how the poor actually live their lives week by week-how they create strategies, weigh trade-offs and seize opportunities.

Lessons Learned from the Portfolio Approach

The frequency of interviews yielded new observations in activities, behaviours, constraints, and opportunities. Once the fragments of data could be seen as a yearlong narrative, greater levels of financial activity and more active financial management were revealed. The regularity at which interviews were conducted was the key to unlocking the full story: researchers estimated that only after six visits did the average margin of error of data collection decrease to 6%. The strength of the diaries approach is that it can, over time; break down much of the confusion about poor household's financial management.



Beyond the Financial Diaries

The strengths of the diary method can also be seen as its limitations: the size of the survey sample was critical for learning important details, but too small to represent whole populations. There is also a question as to whether survey participation influenced behaviour. During the final interview, respondents expressed their gratitude and stated that the interviewers had "helped them so much." It is impossible to determine if these comments were speaking to the companionship participation provided during the year, or if respondents saw a real benefit to recounting their financial transactions as a kind of unintended financial literacy training.

The sharp focus of the financial diaries on the users of financial services and devices precluded the survey from gathering extensive data on the providers of these services. While the diaries do not add to microfinance debates about sustainability, instruments, and the role of subsidies, they bring a fresh perspective to another discussion that deserves greater attention: understanding microfinance services and devices from the clients' viewpoint.

***MicroSave* - Offices in**: Kenya, Uganda, India and Philippines
Email: Info@*MicroSave*.org Website: www.*MicroSave*.org

FAI - NYU Wagner Graduate School, 295 Lafayette Street, Second Floor, New York, NY 10012-9604
Website: www.financialaccess.org; www.portfoliosofthepoor.com