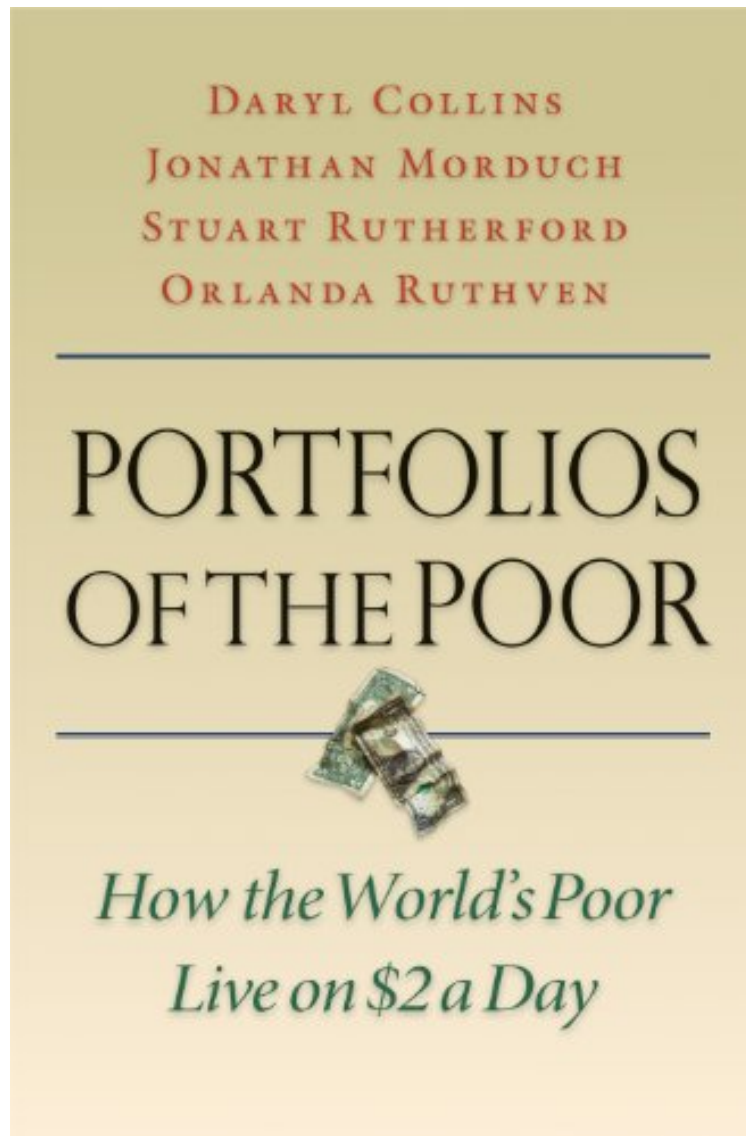


(Mobile library) Portfolios of the Poor: How the World's Poor Live on \$2 a Day

Portfolios of the Poor: How the World's Poor Live on \$2 a Day

Daryl Collins, Jonathan Morduch, Stuart Rutherford, Orlanda Ruthven
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Daryl Collins, Jonathan Morduch, Stuart Rutherford, Orlanda Ruthven : Portfolios of the Poor: How the World's Poor Live on \$2 a Day before purchasing it in order to gage whether or not it would be worth my time, and all praised Portfolios of the Poor: How the World's Poor Live on \$2 a Day:

4 of 4 people found the following review helpful. Understanding the daily reality of global povertyBy Mal WarwickThis 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. No 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 is 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. Microlending is just one of the financial services needed by the poor to lift themselves out of poverty. We saw that at almost every turn poor households are frustrated by the poor quality of above all the low reliability of the instruments that they use to manage their meager incomes. This made us realize that if poor households enjoyed assured access to a handful of better financial tools, their chances of improving their lives would surely be much higher. Most observers regard money-lenders as simply a scourge of the poor, as they are so very often. However, given the dearth of mainstream money-management alternatives, there are many circumstances in which it is logical for poor people to turn to money-lenders for short-term cash loans. One of the lessons from the diaries is that interest paid on very short-duration loans is more sensibly understood as a fee than as annualized interest. Scholars, activists, and policymakers alike have quarreled over the question of global poverty and what to do about it for more than half a century. More often than not, the disputes they air in official policy debates, in the news media, and in scholarly journals are grounded in statistics developed by the United Nations and the World Bank figures that usually represent worldwide averages. Therein lies much of the trouble. The most widely accepted benchmark for world poverty today is \$2 a day per person, as determined by the World Bank. However, you have to dig deeply before you can understand what the World Bank and the United Nations actually mean by \$2 a day. They're not referring to those two one-dollar bills you may have crumpled up in your pocket or purse. To correct for economic differences from one country to another, they use the concept of Purchasing Power Parity (PPP). In theory, PPP takes into consideration the sharp differences in how much \$2 will buy in any given country as compared to the global norm. But in practice the experts have widely differing views on what method should be used to calculate PPP and, in effect, what is the global norm. As if that isn't bad enough, the most commonly used techniques to calculate PPP are based on each country's economy-wide standard of living. In other words, the definition of poverty might depend in part on the price of big-screen TV sets and BMWs or their equivalent. In hopes of correcting that problem, scholars have been writing papers for several years about poverty-based PPP, excluding anything but goods and services commonly demanded by people living at subsistence level, but none of the approaches they've proposed has yet been officially adopted. The whole question of PPP, then, is so confusing and so confused that the authors of *Portfolios of the Poor* have rejected the concept. They base all their calculations simply on the prevailing exchange rates between local currencies and the U. S. dollar. To which I say, amen. The four co-authors of this book are an intriguing bunch. Two are men and two women. (Daryl Collins, the lead author, is female.) All four are products of elite universities: Oxford, Cambridge, Harvard, and the London School of Economics, though only one, Jonathan Morduch, is currently an academic. Morduch teaches development economics at NYU's Wagner School of Public Policy in New York; he is an expert in microfinance. Daryl Collins, Stuart Rutherford, and Orlanda Ruthven are all development practitioners with practical field experience; Collins with a Boston-based global consultancy, Rutherford with a microfinance institution he founded in Bangladesh, and Ruthven with DFID, the UK equivalent of USAID. [...] 3 of 3 people found the following review helpful. Thoughtful, insightful and best of all - it debunks many misconceptions westerners have. A must read! By Priscara Dan It is hard to imagine for those living in the developed part of the world that two fifths of people today manage to survive on two dollars a day. Moreover, it is even harder to believe that poor people, who normally should lack financial sense, live rich financial lives and even manage to have their own "Portfolios". In the book *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*, the authors Daryl Collins, Jonathan Morduch, Stuart Rutherford and Orlanda Ruthven describe the findings of a detailed study and give an inside on how people live on so little resources. The data was collected by a team of skilled interviewers that recorded financial transactions and comments during visits to poor families from different slums of Bangladesh, India and South Africa. The interviews took place at 15-day intervals over the span of one year. Money management is a fundamental and well understood element of every-day life of people. This statement doesn't alter when it comes up to people who don't have much to manage. The book argues that for poor people, managing money well is absolutely central to their existence - more than any other social groups of people. In the first chapter, the authors directly dismiss the assumption that readers may have - that very poor people live on hand-

to-mouth practices, immediately consuming the small amount of resources once they get it. The research data clearly concluded that even families living on less than \$1 a day per person rarely consume every penny of income as soon as it was earned. Typically, they save when they can and borrow when they cannot. The authors clearly deliver the message that poor people have a need of good reliable financial services as much as people from the developed part of the world do. They regard the people living in the part of the world where they conducted the research as suffering from a "triple whammy". New York Times regarded the "triple whammy" in the developed world a synergy of government cuts, declining corporate giving and less favorable tax. Portfolios of the Poor states that the poor are also subjected to the "triple whammy" - consisting of low incomes, irregularity and unpredictability and lack of tools. The authors found that of all the commonalities the poor that were taking part in the research, the most fundamental were that households were coping with incomes that are not just low, but also irregular and unpredictable, and that too few financial instruments are available to effectively manage these uneven flows of cash. The book clearly explains that when a person lives on \$2 a day that person may get \$1 a day for months at a time and then get \$3 a day for a period of time and then even make nothing. Because of the unpredictable income, interviewed households saved/lent money and borrowed when in need. As a result, households registered high levels of financial cash-flows in relation to income each household. Consequently, households with lower incomes require more rather than less financial management and financial institutions. When it comes to financial institutions, the authors found out that most of the household's transactions were carried out with informal partners rather than with formal institutions like banks and insurance companies. The informal sector has proven to be the best provider of borrowing and lending low amounts of money because of its flexibility and ease of use. Moreover, many households refused the services of microfinance institutions because their main need is to save, and not to borrow. Furthermore, surprisingly as it may seem to western people, the poor have to pay interest in order to keep their savings in the formal sector. Funerals, failed health, loss of employment, weddings, and religious celebrations, all of these require significant investments and require diverse access to capital. Saving and borrowing strategies used by poor households revealed in the book are quite different from the western part of the world. Authors found out that the instruments that help them leverage their capacity to save into larger sums of money to be of two kinds. There is the "accumulators" that allows them to save regularly at fast rates (ex. RoSCA) and the "accumulators" that encourages them to save regularly to pay down large loans - "borrowing in order to save". In the last part of the book the authors described the changes in the semi-formal and formal financial sectors. It focused on the Grameen II's innovations impacts on what authors identified as key financial needs that millions of poor families find difficulty in meeting - managing cash-flows and building lump-sums thorough long-term saving and through borrowing. Also, the study reveals that the early hope of microfinance lending - that every loan would be invested in a microenterprise - has proven to be wrong. The book proved that most of the poor households rely on microfinance institutions in order to manage their cash-flows, only a small portion of them being actually invested in businesses that would generate incomes. Finally, I believe that the book is a good read. The really great thing about it is the fact that the research the authors made debunks many misconceptions that westerners have, like poor households hand-to-mouth practices; microfinance institutions lend money at a very low interest rate; microfinance institutions lend only to the development of microenterprises; the poor appreciate interest free loans, etc. The truths in this book have greatly influenced the way I view microfinance, poverty and the development of the poor, moreover it turned around my view on the importance of financial tools in the developing world. 0 of 0 people found the following review helpful. Good book but has a lot of business jargon in ...By DoxieMama3318 Good book but has a lot of business jargon in it. Can be a little difficult to understand if you don't have a good understanding of this. Overall, a great book and addresses world poverty very good.

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.