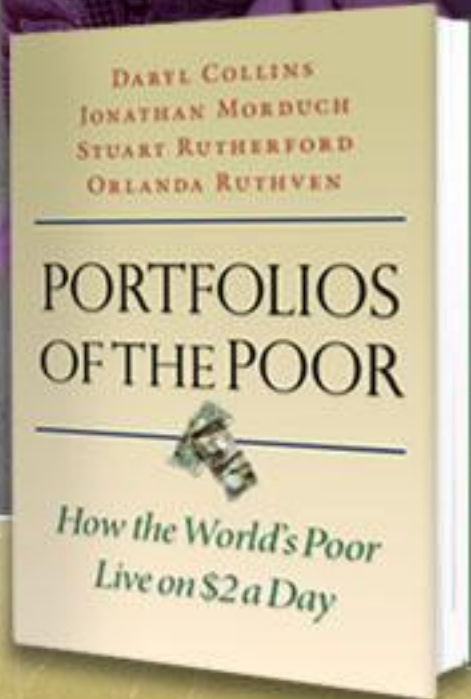


# PORTFOLIOS OF THE POOR

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



By Daryl Collins, Jonathan Morduch,  
Stuart Rutherford and Orlanda Ruthven

# 40% of the world live on \$2 a day or less

If you earn \$2 a day it's easy to assume...

You live hand-to-mouth

You can't plan for the future

You can't save

**You can't have much of a financial life**



# What are the Financial Diaries?



Household surveys that tracked penny by penny how 300 poor households in India, Bangladesh and South Africa manage their money.

# 1. The poor are active money managers

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Respondents **patched together** a wide array of services and devices:

- **Informal**
  - **Semi-formal**
  - **Formal**
- 
- No household used less than 4 financial devices.
  - 1/3 of them used more than 10.

Microfinance loan

Microfinance savings account

Life insurance

Interest free loan from neighbor

Shopkeeper credit

Remittance to home village

Savings held for neighbors

Home savings

Rent arrears

Wage advance

Cash in hand

Loans to others

Saving with a moneyguard

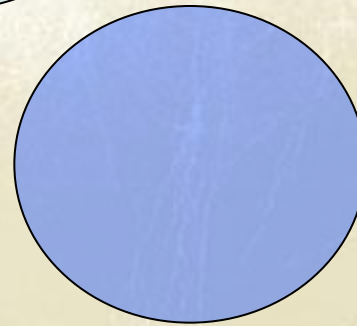
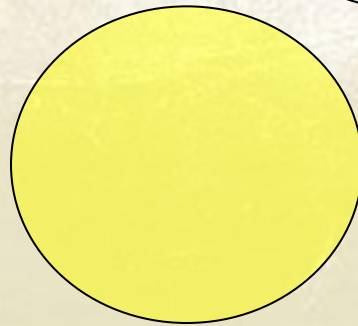
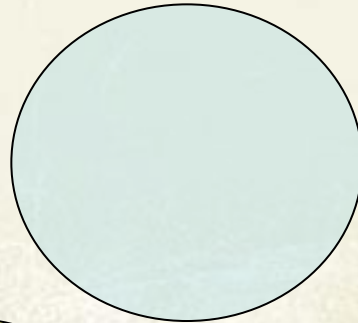


## 2. Being poor isn't just about low incomes

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The poor face a “triple whammy”

**Low incomes**



**Lack of  
appropriate  
financial tools**

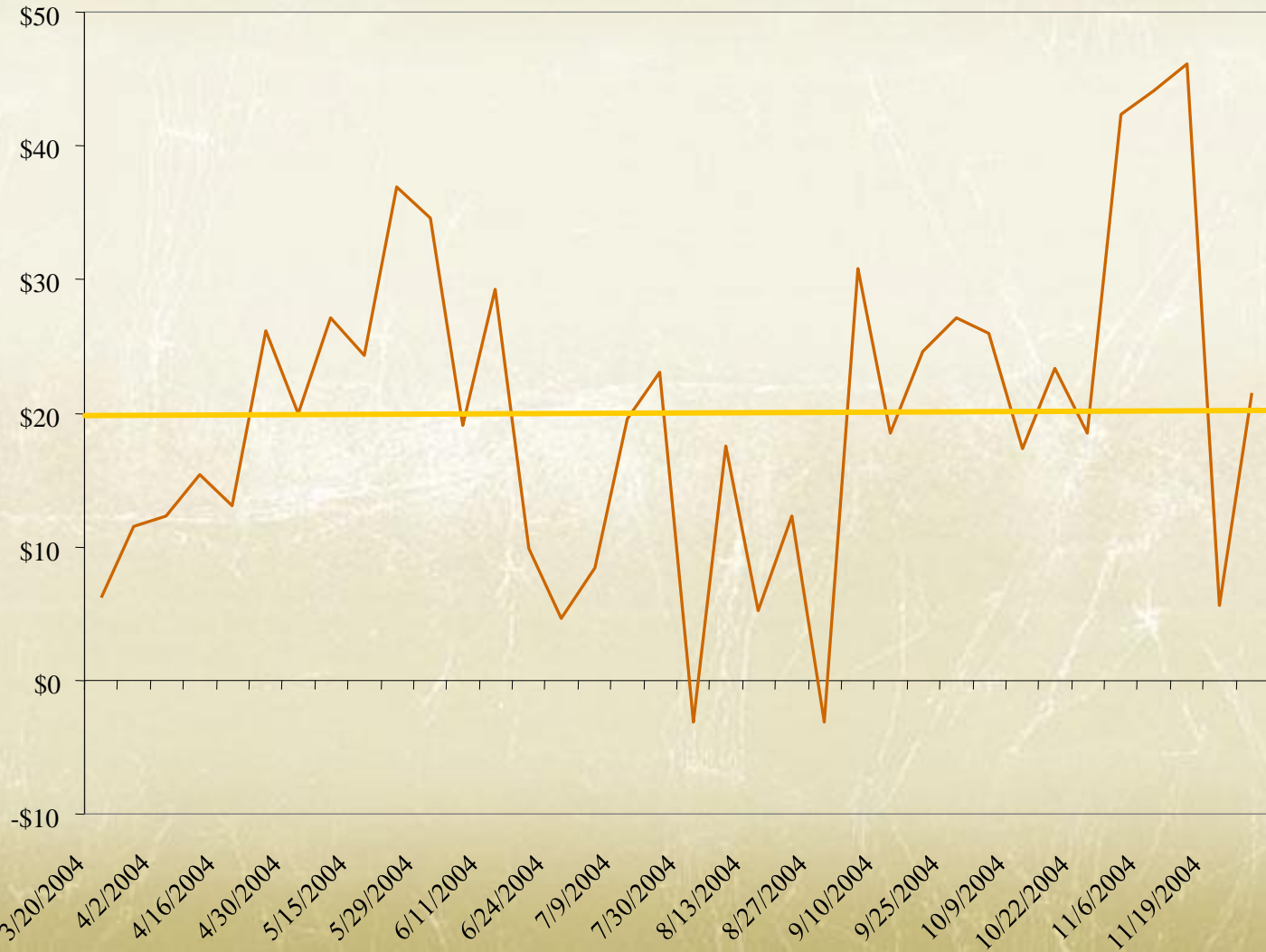
**Irregular and  
unpredictable  
incomes**

# Pumza, South Africa

Net cash flows, aggregated weekly, US\$



# The challenge of living on \$2 a day is that \$2 a day is just an average

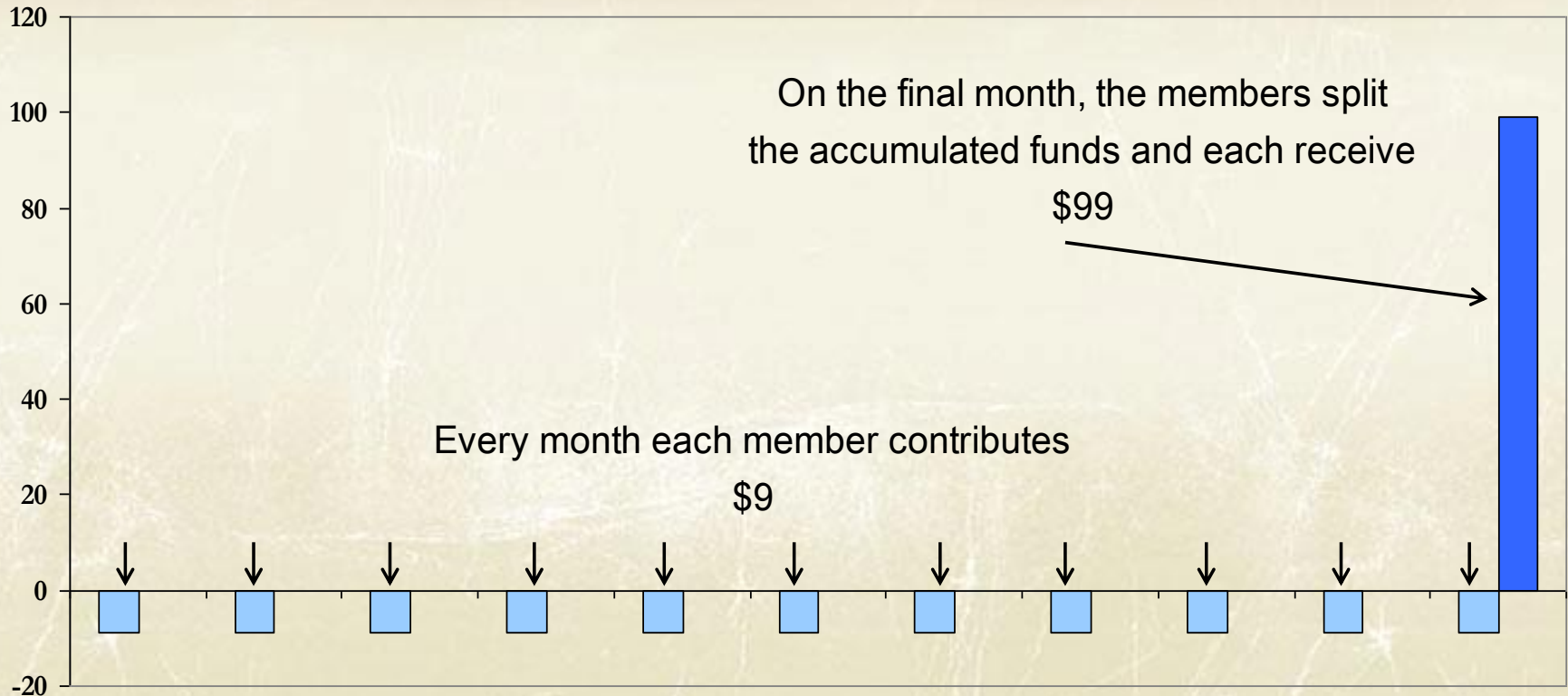


### 3. The poor can and do save



- Saving is often in small amounts week after week
- Formal sector devices often lack:
  - › A mechanism that is:
    - › Convenient
    - › Effective
- But informal savings mechanisms can be:
  - › Inflexible
  - › Unreliable
  - › Short term

# How Nomsa's savings club works



US\$ converted from South African rand at \$=6.5 rand, market rate

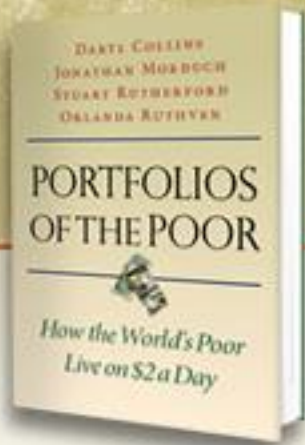
# Better portfolios



Poor households maintain financial lives *because* they are poor, not in spite of it.

**Hidden tragedy of poverty:** the poor lack tools to make the most of what they have.

**Next steps:** scale-up ideas that are working. Open up to ideas and priorities that the poor have already made central in their lives.



[www.portfoliosofthepoor.com](http://www.portfoliosofthepoor.com)

The Ford Foundation

The Financial Access Initiative

The Bill & Melinda Gates Foundation

FinMark Trust

DFID

MicroFinance Regulatory Council

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[www.vitaledgeaid.org](http://www.vitaledgeaid.org)**

