

**Portfolios of the Poor: How the World's Poor Live on \$2 a Day by Daryl Collins, Jonathan Morduch, Stuart Rutherford, Orlanda Ruthven**



Review by: Victor Quiroz

Most people are presented with the challenge of managing and securing their financial futures. A typical household may ask questions such as: “How do I balance my budget this week?”, “How much should I save for retirement?”, or “How much money should I have in my emergency fund?” Finding solutions to these problems is a day-to-day challenge for most households, but how do you address them if you live on \$2 a day? In the book *Portfolios of the Poor* the authors immerse themselves in a year-long study of more than 250 families in Bangladesh, India, and South Africa in order to understand how the world’s poor manage their finances.

Over the course of the study, the families kept a “financial diary” to monitor and track how they used their money. After compiling and studying the diaries the authors uncovered some of these key findings that drive many of the decisions of poor households:

- Managing money well is a critical part of everyday life
- How to balancing risk and manage emergencies with little savings &
- Trying to seize opportunities by raising large sums of money

In my opinion once of the biggest obstacles for the poor is that income is small, irregular, and unpredictable. The book clearly explains that a person living on \$2 a day often experiences periods of time in which they may receive more or less than \$2 a day or even periods in which they receive nothing. This is consistent with the findings observed in the film *Living on One Dollar* where the Living on One Team tried to replicate income irregularities by casting lots on how much money they would receive each day. Another big obstacle the poor face is that they generally do not have access to quality and reliable financial tools. As a result, the poor typically try to save money when they can, and borrow when they need. The fact that the poor need to borrow stresses the importance that access to reliable tools like microfinance is necessary to managing their lives.

Overall I really enjoyed this book. I thought it was very informative and clearly provided insight into the challenges faced by the poor. One final note I would like to make is that the authors do a great job of demonstrating how the poor think and revealing their financial intelligence. The use of the “financial diaries” in their study and their findings prove that the poor have the ability to

manage their money and when given the opportunity will make decisions to help better their lives.