

## Day 1 Summary Session 4

Dear all,

When I signed on a few hours ago I was happy to see such so much interesting, rich discussion on today's topics. In fact, my fellow moderators, Daryl, Stuart, Orlanda and Graham, had done such a good job of responding to questions and highlighting the important issues that I worried there might be nothing more to say. I was wrong. I think we had a great discussion, which delved more deeply into issues of methodology and implementation, broached the role of gender in the financial diaries, and touched on the role of insurance in the financial lives of the poor. I've included some highlights below.

### **Mechanisms to Manage Money**

I was curious about how people perceive **the role and potential of microinsurance**, and whether people think we should have given it more consideration in the financial diaries. In the diaries, the reality was that most coping with risk happened through borrowing, and to some extent saving and community support (with the exception of Daryl Collin's diaries in South Africa, where burial insurance played an important role). Jeff Ashe from Oxfam America chimed in to share his experiences with in Mali where they are running research on savings groups. **In Mali they are seeing women in savings groups treat the groups as a kind of "virtual insurance"**. This is an interesting (and probably not uncommon) phenomenon. However, I pointed out that the academic literature indicates that group-based informal insurance is very good at helping people cope with the idiosyncratic difficulties that arise all the time in life (helping to pay a late bill, buying medicine, etc.), but that it's less useful for big shocks (hospitalization, major crop failure, a death of an earner), nor in dealing with shocks that affect entire communities.

Christiane Ströh de Martínez raised the important question of **why take-up rates are so low for insurance products**, and how we should think about this. It's true that low take-up rates pose a challenge -- they suggest that **products and pricing aren't as appealing as we hoped**. But, given how important risk is in the lives of poor households, I still believe in the vast potential for microinsurance. Particularly health insurance. I hope we can talk more about this during Day 2 of the conference when we discuss how to design better products for the poor.

### **Drivers on Financial Behaviour**

One of the sharpest criticisms of the diaries was that we didn't include sustained treatment of gender in the book. I agree that this was lacking, and if we did it over again we'd likely make gender more of a focus. Fortunately, other similar research is attempting to tease out the effects of gender. Guy Stuart from Harvard's Kennedy School was good enough to share **early findings from new Malawi financial diaries**. So far they've found that men have much larger business expenditures than women, and they engage in them more often. The pattern is similar for married couples; heads of households make larger business expenditures than their spouses. However, the interesting contrast is between married women and female-headed households—married women have much larger average business expenditures. Guy suggested that married women are either sharing some of the business expenditures of their husbands, or are able to be active in businesses requiring larger expenditures because they have a spouse who is also earning. On the other hand, men's and women's expenditures are much closer when it comes to household expenditures, PPP \$56.9 for men vs. \$39.1 for women, and women actually make more purchases. If I'm getting it right, this means women spend less on average and make a greater number of purchases. So **men seem to be contributing to the household, but in different ways than their wives**.

## **Role of MFIs in Managing Poor People's Money**

Jeff Ashe from Oxfam America offered his insight on **what happens to traditional and institutional lending when savings groups are introduced to the community**, based on his experience with Oxfam's Saving for Change program being run in Mali, Senegal, Cambodia and El Salvador. He noted that clients seem to be turning to savings groups instead of MFIs for smaller loans—and suggested that over the longer term MFIs should appreciate this because it will allow them to provide larger loans and assume their appropriate role of financing those who have a greater potential to invest in business.

## **Methodology**

Mike Ferguson from Microfinance Opportunities weighed in on the issue of data collection through self-reporting as a possibility for the financial diaries methodology. He **cautioned against the self-reporting technique** (reinforcing earlier comments by Daryl Collins), noting that the level of detail and commitment is very difficult to sustain without the ongoing nudge of fieldworker visits

Meryem El Alaoui Faris brought up the issue of **how to deal with seasonality in the financial diaries**, and whether they could be conducted during a period where there were more transactions than in other times. My co-author Daryl Collins clarified that **the diaries were conducted over the course of one year precisely to capture seasonality**. I second the need for data collection over a longer period of time. One of the key lessons from the diaries is the need for financial tools to help bridge ups and downs – where coping with seasonality is a key source of challenges.

Finally, it was important to me to point out that one of the big challenges (in my opinion) of the financial diaries research is the "sense-making" stage. The richness and sheer quantity of data is a huge benefit of the approach, but it also **calls for much more interpretation and distillation than a typical survey**. When I think of traditional economic research, we usually start with a clear hypothesis. Then we collect data to test that hypothesis. But the **diaries require an inductive approach**. As I saw the thoughtfulness with which Orlanda, Stuart, and Daryl approached their data, drawing a picture from nuanced evidence, my mind connected to ethnographic research common in anthropology much more than typical work in economics, finance, and development studies. Mike Ferguson agreed with this orientation toward an inductive process—**“waiting for the data to tell the story”**.

Thanks to all who participated, and I look forward to continuing the conversation tomorrow.

Warm regards,

Jonathan