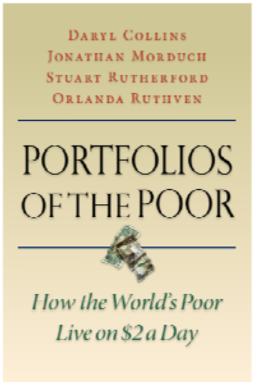

Household Profile – Hamid and Khadeja
Dhaka, Bangladesh

Hamid and Khadeja's story illustrates the complexity of the financial lives of the poor. The couple held numerous financial devices because no single device was adequate to meet their needs.

Hamid and Khadeja live in a Dhaka slum with their young son. Their home consists of cement block walls and a tin roof. They share bathroom and kitchen facilities with eight other families. Hamid is a reserve motorized rickshaw driver; Khadeja supplements his unpredictable income with earnings as a seamstress. On average the couple earns $70 per month—20% of which is spent on rent and much of the rest on food. The family of three survives on an uncertain $0.78 per person per day.

Despite their modest income, Hamid and Khadeja are active money managers. Far from living hand-to-mouth, they have reserves built into six different instruments (see balance sheet below). During the research year, the family "pushed" $451 of their income into savings, insurance, and loan payments, and "pulled" out $514 of savings, or by taking out a loan or guarding money for others. Their total turnover of $965 was, in fact, larger than their annual income of $840. Although their net worth was negative, the amount was small relative to their total annual income and their debt service ratio—the proportion of their monthly income to debt repayments—was manageable. Khadeja spoke of the necessity of managing their finances judiciously: "I don't really like having to deal with other people over money, but if you're poor, there's no alternative. We have to do it to survive." The couple is illiterate and innumerate, thus, all records are kept in their heads. However, records are accurate. When asked how they managed to keep track of all the transactions, Khadeja said, "We talk about it all the time and that fixes it in our memories."

Hamid and Khadeja's Closing Balance Sheet, November 2000

Financial Assets	$174.80	Financial Liabilities	$223.34
Microfinance savings account	$16.80	Microfinance loan account	$153.34
Savings with a moneyguard	8.00	Private interest-free loan	14.00
Home savings	2.00	Wage advance	10.00
Life insurance	76.00	Savings held for others	20.00
Remittances to home village	>30.00	Shopkeeper credit	16.00
Loans out	40.00	Rent arrears	10.00
Cash in hand	2.00		
		Financial net worth -$48.54	

The household's balance sheet includes a microfinance loan that Khadeja took out to buy gold—a secure, reliable asset that she could use in the event Hamid could no longer support her. Khadeja felt that she didn't have the self-discipline to save up for the gold on her own, so a microfinance loan was the only way for her to acquire a large enough sum to purchase it. The fact that the loan could be repaid in small weekly payments made it manageable, and being accountable to the microcredit provider meant she would repay.

The loan allowed her to use a year's worth of small weekly payments to achieve a single big lump of savings, but the interest rate on the loan meant that she was essentially paying to save. Khadeja would have been better served by access to a commitment savings product that held her accountable to save in the same way her microfinance loan held her accountable to repay.