

# Managing income volatility

## Ubaydullah, the brick-breaker

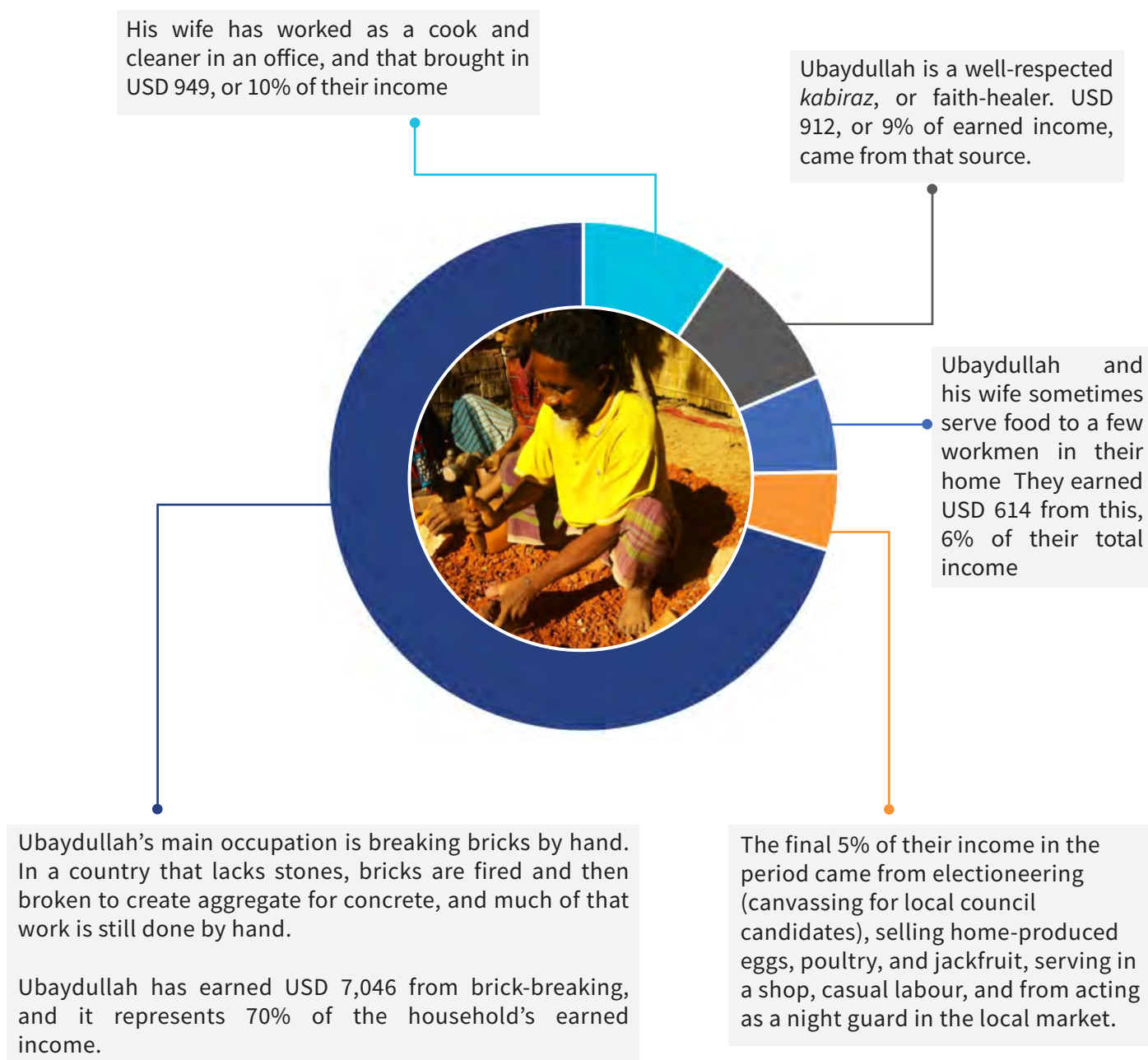


The [Hrishipara Daily Diary Project](#) tracks the daily money transactions of households in central Bangladesh. This is the third in our series, “Tracking Transactions, Understanding Lives”, which focuses on individual diarists to create pictures that give a sense of what these lives are like.

### Managing income volatility: Ubaydullah, the brick-breaker

We have been tracking Ubaydullah’s five-person household since mid-August, 2015. His income varies a lot from month to month, so how does he manage such volatility? Chart 1 sets the scene.

Chart 1: The composition of the earned income of Ubaydullah’s household between September, 2015 and February, 2019, in international dollars

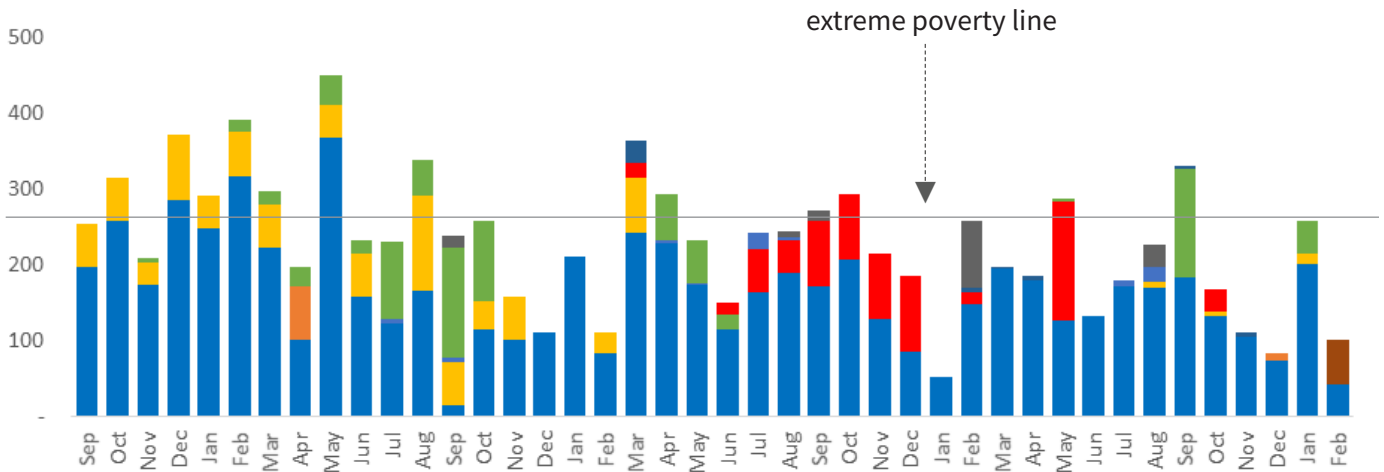


**The total earned income from all sources for the 43 months came to USD 10,018, about USD 7.75 a day, for a five-person household.**

Values are in “international dollars”, whose exchange-rate against the Bangladesh Taka takes into account the fact that a US dollar buys much more in Bangladesh than in the US.

Our second chart shows how these earnings are distributed over time. Ubaydullah earned a regular income from brick-breaking (dark blue) every month. However, his income from faith-healing (green) was more sporadic. His wife stopped working in the office (gold) by the spring of 2017 and turned to cooking (red). The night-guarding began in February 2019 when the Market Committee decided to charge each shopkeeper 14 cents a day to fund a guard, and Ubaydullah got the job. The other sources of income are scattered across the period, with none of them bringing in consistent income.

Chart 2: Monthly composition of Ubaydullah’s income, September, 2015 to February, 2019, international dollars



### Coping with volatility

Chart 2 shows how variable the income of people like Ubaydullah is. In January, 2018, only USD 51.43 came in, while USD 450 came in in May, 2017. Therefore, for a month they lived on 34 cents per person per day, which is far below the “extreme poverty” benchmark for income. On another month, they lived on USD 3 per person per day, lifting them clear of such extreme poverty.

How does the household cope with such income volatility that tosses them in and out of extreme poverty? Ubaydullah told us that he copes *psychologically* by simply, not caring. “I’m a cheerful fellow. I never worry”, he said. When we asked him what he thinks about when he is breaking bricks all day, he smiled and said, “Mostly nothing, although sometimes, I daydream about building a new house for my son to live in”.



The market that Ubaydullah now guards each night: photo Stuart Rutherford

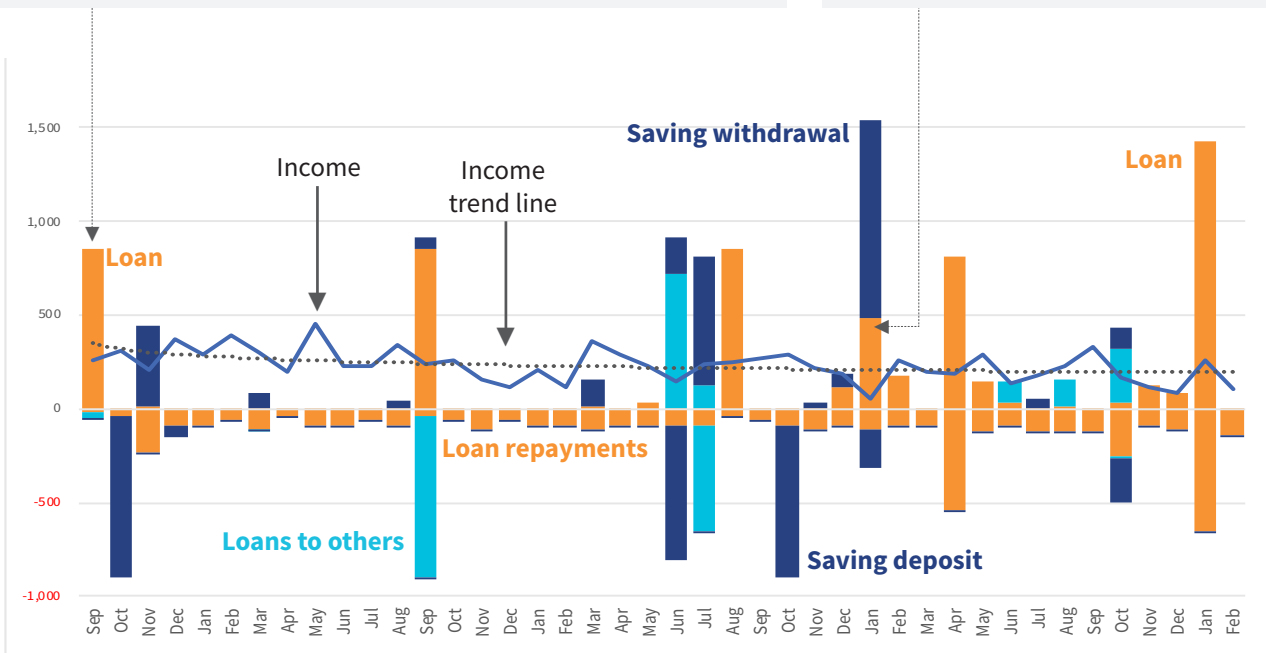
Ubaydullah’s family skip meals occasionally but he says they do not suffer much from that. He did admit, though, that things had not been good recently, as we see from the downward-sloping trend line of his income as shown in Chart 3, below. That is why he was so keen to get the night-guarding job, which should earn him USD 171 a month.

Our transaction records help to answer another question: “how do they cope in terms of *money-management*?” Chart 3 summarizes the income shown in Chart 2 but adds his saving and borrowing.

Chart 3: Ubaydullah’s total monthly income (shown by the blue line), and his savings and borrowing behavior (shown by the columns) monthly, international dollars.

Ubaydullah says that his main strategy is to borrow regularly from Grameen Bank, where his wife is a client. This provides a reserve of cash that allows them to smooth their consumption spending. In Sep 2015, Sep 2016, and Aug 2017 they borrowed USD 837 (the red columns) and slightly less in Apr 2018. In Jan 2019, they increased the amount they borrowed to USD 1,428.

Ubaydullah is not a natural saver. However, sometimes he uses a local cooperative to store his Grameen loan money. For example, he deposited in Oct 2017 and withdrew the following Jan.



After getting funds through a Grameen loan, they sometimes on-lend the money to others rather than keep it at home or deposit it in the cooperative. In Sep 2016, for example, they lent money to a cousin who was trying to get a job overseas. They got it back the following Jun, and put it in the cooperative, then re-lent it to another relative.

There are some puzzles in Chart 3. Ubaydullah claims to be a care-free, non-worrying type, yet he pays quite heavily to maintain cash reserves by taking Grameen loans at an interest rate of around 22% a year. Perhaps he does not worry precisely because he takes such precautions. Then, in September 2016, he took a Grameen loan and immediately lent the whole of it to a cousin, rendering it unavailable for consumption smoothing.

Moreover, he does not, in fact, hold much in the way of reserves: the USD 1,000 he withdrew in January 2018 was exceptional—it is the biggest sum we have ever seen them hold in their savings accounts at Grameen and at the Co-op. In our weekly tracking of the amount of cash he holds at home, we have never found him holding more than USD 104—it is usually around USD 15 and on occasions as low as USD 2.



## A tight rein on spending

Perhaps Ubaydullah’s control of expenditure is the real key to how he manages. Our last chart takes a look at this.

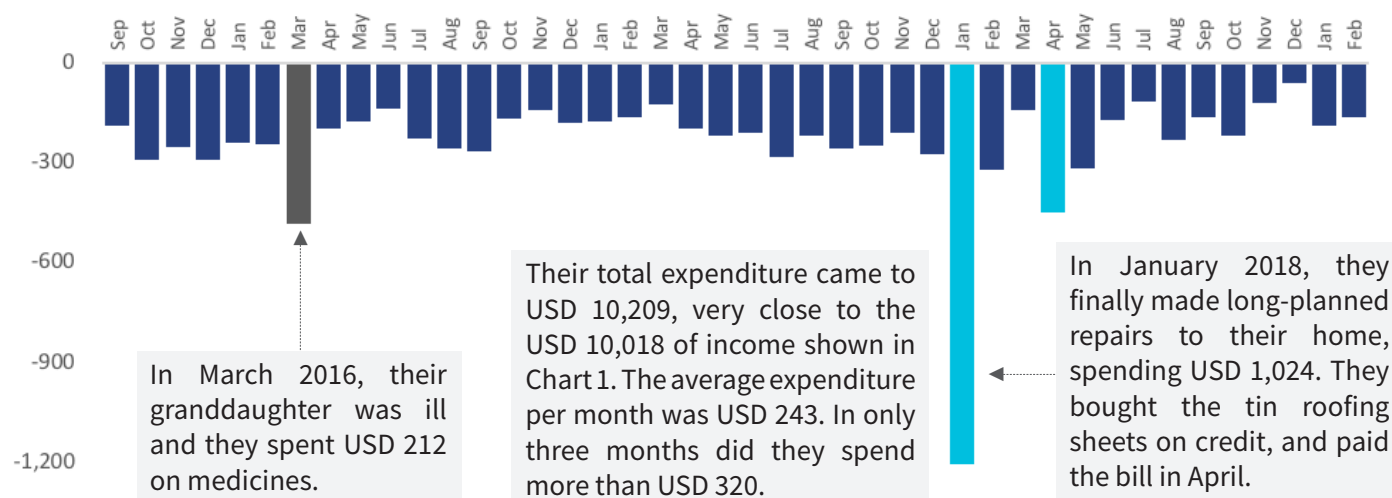


Chart 4: Ubaydullah’s total monthly expenditure monthly, international dollars.

Perhaps Ubaydullah’s family should be counted as lucky to have had only two exceptional needs to spend in the three and a half years we have tracked them. Besides Ubaydullah and his wife, his household also includes two granddaughters and their divorced mother. One of the girls fell sick in March, 2016. Then in early 2018, they repaired their home, something they had been putting off for years. As Chart 3 shows, the home repair was accompanied by borrowing and by withdrawing savings. Ubaydullah did most of the building work himself, which is why his earnings for January 2018 were so low (Chart 2).

In most months, their spending was very modest. In October, 2017, they spend USD 245, very close to their average of USD 243. We show the breakdown in the table alongside. Among the food items, USD 66 went on rice and USD 13 on cooking oil. They ate chicken three times and fresh fish twice in the month. The “snacks and treats” included a fruit drink for his wife, but mostly consisted of betel leaf and nut, a mild stimulant that also suppresses the appetite. He chews it while working (19 times, costing USD 21) or at the tea stall after work (32 times, USD 27). They did not spend on any other entertainment, although Ubaydullah regards his occasional shave at the barber as a treat.

All expenditure, October 2017	
Food	173.46
Snacks and treats	49.29
Household consumables	12.14
Toiletries	3.43
Personal grooming	3.14
Healthcare	2.00
Transport	1.03
Mobile phone charges	0.86
Education materials	0.29
Pocket money	0.14

Stuart Rutherford  
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During the time we have been recording these data, we have received support first from CGAP, then from UNCDF and since mid-2019 from L-IFT. We are grateful to all of them.



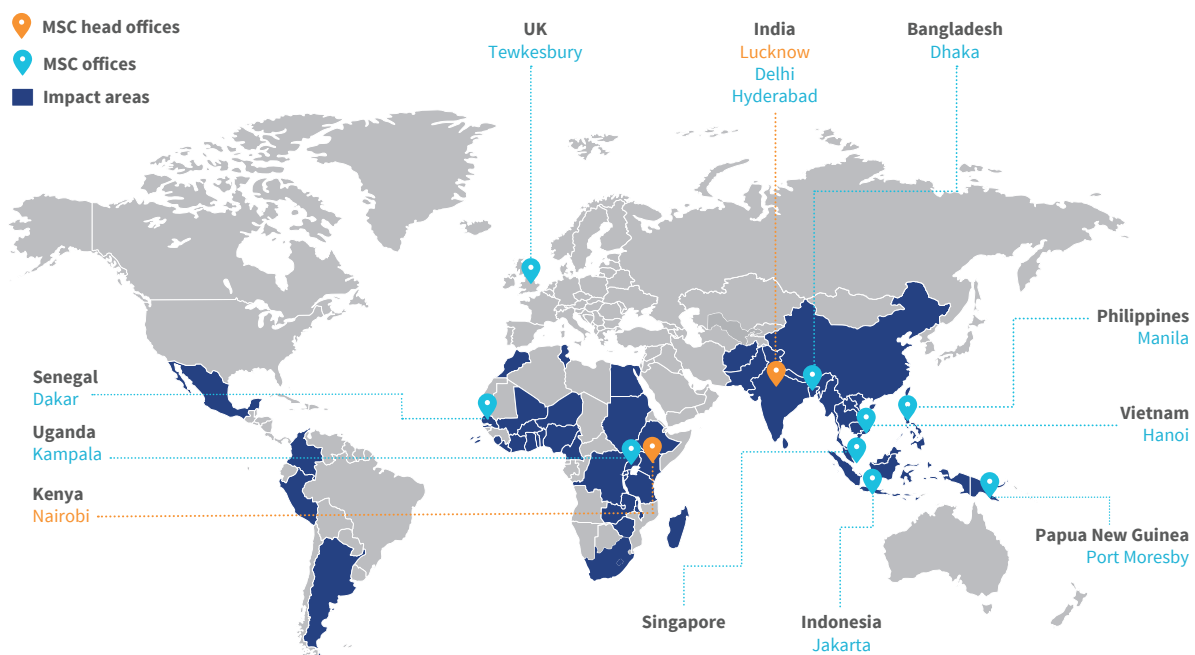
## Author: Stuart Rutherford

Trained originally as an architect, Stuart Rutherford later became interested in how poor people manage their money, and how they might be helped to do it better. He has collected details of many financial devices in dozens of countries and has described them in his book *The Poor and Their Money*.

With David Hulme of Manchester University, he devised and then led the first 'financial diary' research project, in Bangladesh in 1999. Results from the first crop of financial diary exercises were written up in *Portfolios of the Poor*, of which he is a co-author. Rutherford has also looked at money management for poor people from the point of view of a service provider, having established the MFI SafeSave in Dhaka, Bangladesh, in 1996, and has also worked as a teacher and consultant. He is married and now lives in Nagoya, Japan.

## About MSC

MicroSave is an international financial inclusion consulting firm with nearly 20 years of experience, operating in eleven offices across Asia and Africa. Our mission is to strengthen the capacity of institutions to deliver market-led, scalable financial services for all. We guide policy, provide customised strategic advice and on the ground implementation support.



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