

Covid-19 and low-income households in central Bangladesh

How the approach of the corona virus has affected low-income households in central Bangladesh.



March 2020

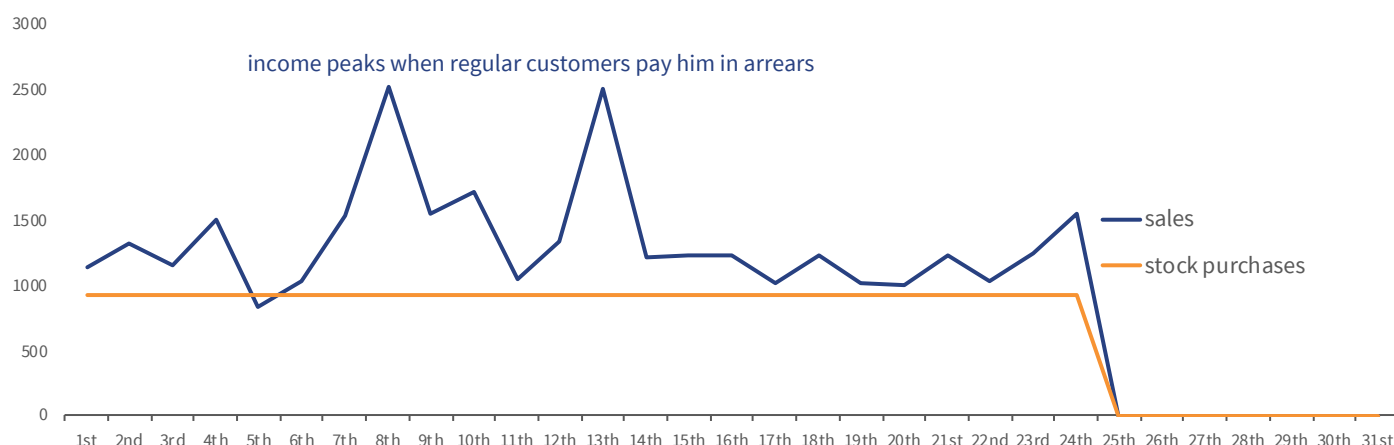
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Liaqat (not his real name) is a newspaper vendor and a volunteer 'diarist' in the [Hrishipara Daily Financial Diaries project](#). We have been tracking all his money transactions on a daily basis since October 2015.

Selling papers is his only source of income. Early each morning, seven days a week, he buys papers for 930 taka (about \$26 at the PPP exchange rate). He sells about half of them, for cash, on the street, and delivers the rest to regular customers who pay him in arrears. Averaged out over the years, his sales have exceeded his stock purchases by just over 40%, giving him a net daily income of 380 taka (PPP\$ 10.60) for himself, his wife, his three daughters and his son. As Chart 1 shows, this pattern came to an abrupt end on 25th March 2020.



Chart 1: Newspaper vendor Liaquat’s daily sales and stock purchases in March 2020, Bangladesh taka



At the beginning of March the papers Liaquat sold (all of them Bengali language) were treating the corona outbreak largely as an overseas story. But on 9th March they reported the first three confirmed cases in the country and began to editorialise about Bangladesh’s weak health system and the low rate of testing for the virus. On 16th the government closed the country’s leading University. More cases were confirmed and on 18th came the first death. On 23rd there were reports of a ‘cluster’ of cases in a village about 10km from our area and later that day the government announced that a nationwide ‘lockdown’ of all offices and shops would start on 26th. By the time 26th arrived, Liaquat had relinquished his livelihood: he could have got papers to sell, but there were too few people on the streets to sell them to – and he was very frightened of catching the virus.

Not just newspaper vendors, not just business income

The 60 diarists that we track enjoy various kinds of money inflow. Some, like Liaquat, have *business income*, where costs have to be subtracted from gross sales to arrive at net income: they include our several shopkeepers. Others earn *daily income* through casual labour or self-employment like driving rickshaws or ferryboats. Others have *regular income* – office cleaners and drivers and factory workers get a weekly or monthly wage, for example. Then there are *remittances* sent from overseas, *gifts* from family and friends, and *welfare payments*.

In Chart 2, below, we show the aggregated daily totals for these inflows, for all 60 diarists combined. Notice that we have omitted *financial* inflows – the loans they take and the savings they withdraw: we will deal with them separately.

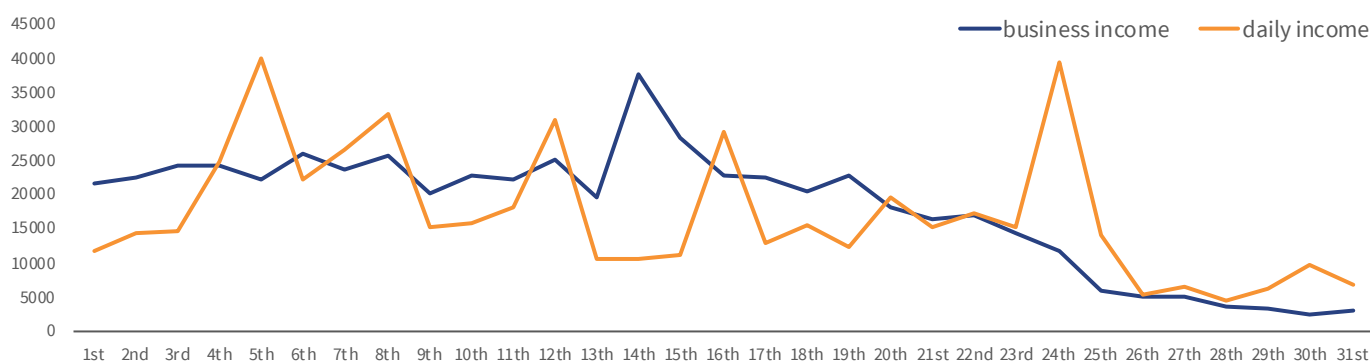
Chart 2: Inflows to all 60 diarists combined, daily, March 2020, Bangladesh taka: loans taken and savings withdrawn are excluded



Evidently, income suffered a general collapse around 25th March. Of the various income streams, *regular income* shows a less precipitous decline, because pay-days don’t necessarily come at the month’s end. In Chart 3 we show how *business income* declined from its usual relatively steady state, as shops and restaurants closed. *Daily income*, which usually shows many ups-and-downs as our diarists succeed or fail to get daily work, or get paid late, flattened as jobs dried up.



Chart 3: Daily inflow pattern for business income and daily income, March 2020 Bangladesh tak



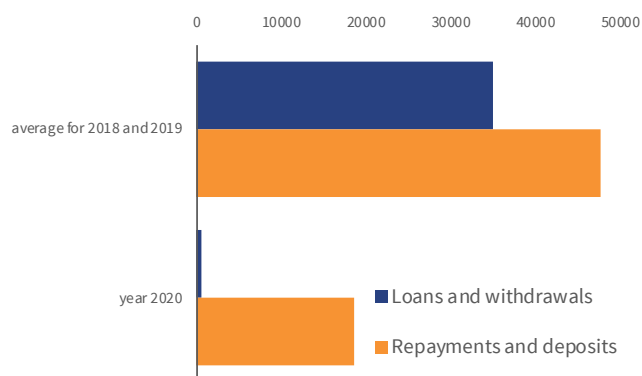
Remittances from overseas – enjoyed by a dozen or so of our diarists – have not filled the gap. We cannot say that they have declined, since they tend to arrive at irregular intervals, but they have notably *not* picked up at the month’s end. Diarists report that many of their family members overseas have lost their jobs or not been able to work: some are themselves in acute difficulties.

Welfare cash payments, of low volume at the best of times, have yet to respond to the emergency. On 28th March two diarists received baskets of foodstuffs from a government corona-related relief programme and by the end of the month another two diarists received similar packages (one via the main opposition political party).

Loans and savings

Most of our diarists are clients of microfinance providers (MFIs) and for many of them MFIs are where they keep most of their cash savings. But many MFIs have shut down in conformity with the government lockdown. We were told by the Manager of the local branch of Grameen Bank, a leading MFI with more accounts among our diarists than any other, that his head office instructed him to cease all transactions – including the release of savings. We illustrate the effect of this in Chart 4 where we compare the last ten days of March 2020 with the same period in the two previous years. MFI loans and savings withdrawals – essential resources when people are in difficulty – have stopped. The Co-operatives and the informal devices (informal loans, money-guards, and local savings-and-loan clubs) also lent less and released less savings in the last ten days of March 2020, but – perhaps because they didn’t fully close-down – they took in more loan repayments and more savings than the MFIs did. The leading Co-operative tells us it will find a way to release savings to clients who need them during the crisis, but observes that demand has so far been low. Most diarist households hold some cash reserves at home and it may be that they are using them before calling on their savings.

Chart 4: MFI transactions with diarists in the last ten days of March: this year and two previous years compared Bangladesh taka

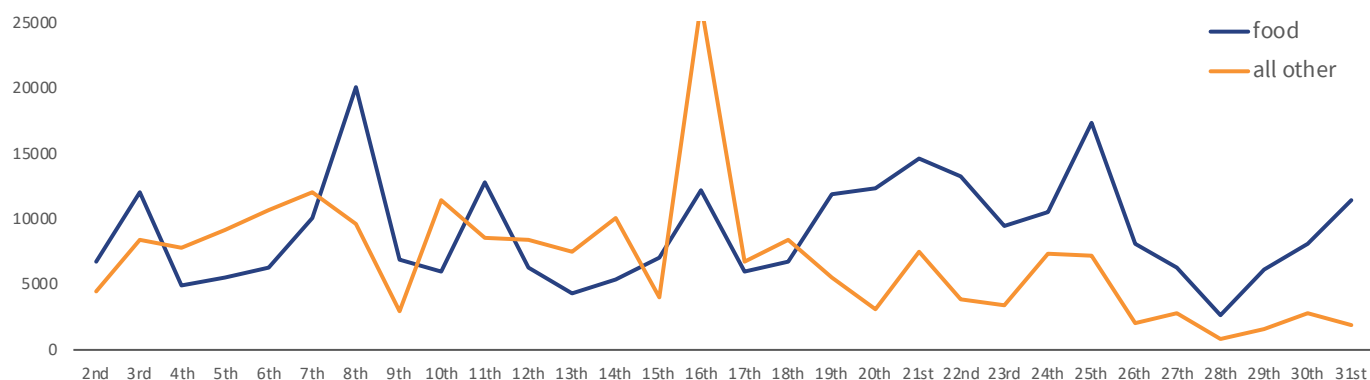


Spending

Immediately after the declaration of the lockdown we noticed a fall in all spending. Food spending fell to the lowest we have ever seen on 28th. However, in the last three days of the month food spending picked up a little (shops are mostly closed but some market stalls are still running). Other household expenditure (healthcare, education, transport, utilities, household supplies, snacks and tobacco, and so on) are still at historic lows, suggesting that diarists may be prioritising food buying over other household needs. Chart 5 illustrates this (the spike in expenditure on 16th was the payment for a gall-bladder operation).



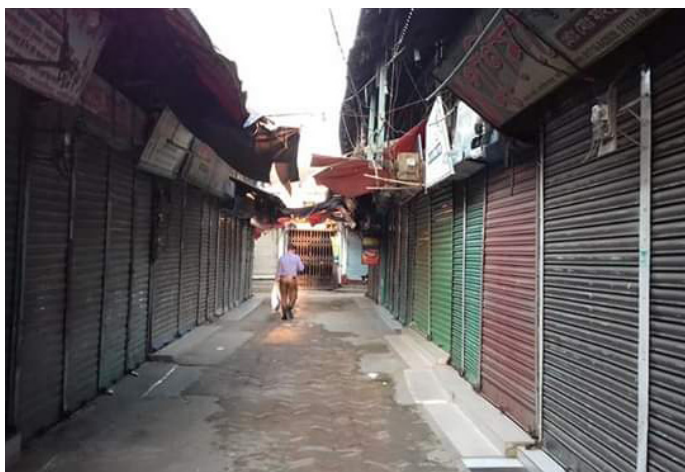
Chart 5: Household expenditure in March: food costs compared with all other household costs Bangladesh taka



Overview and priorities

At the time of writing, on the evening of March 31st, confirmed infections in Bangladesh reached 54 and there had been six deaths. The government extended the term of the lockdown to April 11th. As yet, there are no cases of corona virus recorded or suspected in the communities where our diarists live. Nevertheless, local people are very aware of the threat. Many, like Liaqat, are afraid to venture out on the streets. If they do, there are police and military patrols to shoo them back home.

Anxiety prevails, as shown in the end-March version of the monthly survey we take of our diarists’ thoughts about the month just past, and their hopes for the month to come. The fear, overwhelmingly, is of loss of income.



The local market

A rickshaw driver: *“March was bad regarding income as well as mental anxiety, due to corona”.*

A widow: *“March was bad because my daughter, who is overseas, is now unemployed. I am in acute anxiety due to corona”.*

A woman who runs a small shop: *“March was bad because neither my son nor his wife can go to work and we’re all very anxious, all because of corona”.*

Much of what needs to be done by policymakers is already understood. This blog testifies to, rather than reveals, those needs. What is described here suggests that from the diarists’ point of view the top priorities are relief measures to ensure food and income security and to prevent distress sales of assets. Financial services need to be unlocked, above all to release savings in MFI accounts. And the high level of anxiety means people need, somehow, to be reassured.

All fieldwork for the Hrishipara Daily Diaries Project is now being funded by L-IFT. We gratefully acknowledge their invaluable support.



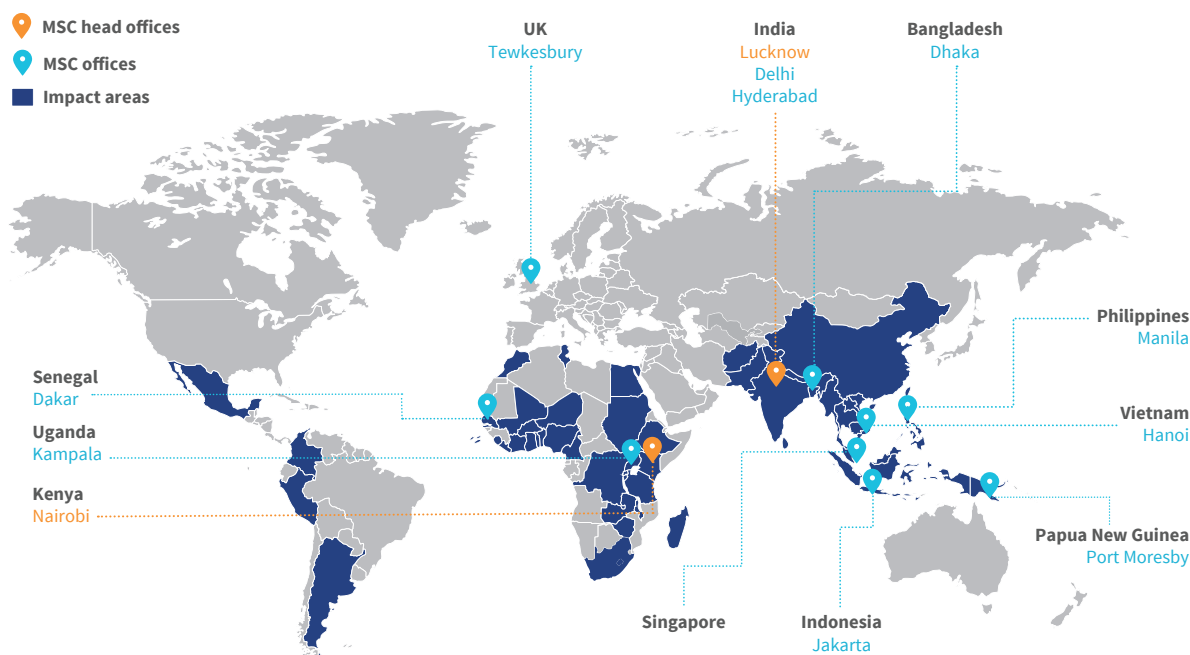
Author: Stuart Rutherford

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

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