

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

The four authors, two from the development finance arena and two from academia, team up to do a study with the poor that no one that we know has attempted on this scale. Over a period of a year the authors conducted year-long interviews with specific poor families in Bangladesh, South Africa and India. The "financial diaries" reveal the poor as few have previously grasped. All of us here at the Foundation with rural development and third world experience (over 60 combined years) found they learned many valuable things from reading this book. For instance, none of us knew that the poor are willing to pay someone to guard their money in "savings" accounts held by local moneylenders. The fee is acceptable because leaving money around is a sure way for all of it to be stolen.

Many governments prohibit "informal" financial institutions, like the microfinance organizations we customarily work with, from taking savings and paying interest on the savings. In light of what the authors of Portfolio of the Poor found, those policies prohibiting interest paying savings account held or managed by MFIs and are designed to help the poor may hurt the poor, as so many well intended government policies end up doing. This one makes no sense at all.