

Financial Diaries as a Tool for Consumer Research

A common perception of the poor is that they lead simple financial lives composed of scant resources and few transactions. The Financial Diaries methodology reveals this to be untrue. With the ability to record financial flows in great detail, the Financial Diaries is a powerful tool in understanding the financial behaviors of those at the bottom of the pyramid. Moreover, Microfinance Opportunities' (MFO) particular methodology offers unique design and analysis features that make it ideally suited for consumer research. Already the findings have led a bank to develop a new savings product. Elsewhere it has been designed to examine whether mobile banking changes financial behaviors and uses of financial services.

A View Inside the Household “Black Box”

The Financial Diaries provide a view inside the household “black box”—a chance to observe how low-income populations live their lives on a daily basis, including the effects of particular social interventions. It is also a chance to track changes in the roles individuals within households play in decisions about how to manage money.

MFO's methodology is issue-focused. The goal is to capture key junctures when households use a particular innovation and compare the results to households without access to the innovation. In this way, we can identify the impact of a project innovation on the overall well-being of the recipient of that service. For example, our Financial Diaries project in Kenya focuses on the mobile money service M-PESA as a savings device, tracking its effect on the financial lives of users as compared with non-users.

MFO's methodology centers on tracking inflows and outflows of cash and non-cash household and business resources on a weekly basis. A team of local fieldworkers, trained by MFO, visits a group of participants each week and asks them to recount all resources that came into the household/business and all resources that left the household/business over the past week—every bar of soap bought, every basket of tomatoes sold, every cash gift received from a visiting in-law.



Field worker interviewing Financial Diaries participant in Malawi

Who We Are

Established in 2002 as a 501(c)3 non-profit organization, Microfinance Opportunities seeks to improve poor people's lives by increasing their access to well-designed and well-delivered financial services. Microfinance Opportunities provides action-oriented research, training, and technical assistance in two client-focused areas:

- Financial Education: Design and training
- Consumer Research: Market research and impact assessment

Key Distinguishing Features

- ❖ *Scope* – the scope of the Diaries methodology, the size of the sample and duration of the studies is significant. This enables us to move beyond case studies and anecdotal evidence to aggregation and patterning of data.
- ❖ *Use for impact assessment* – our Diaries research is set up with a client group and a comparison group, to examine exposure vs. the counterfactual. We use aggregated data on each to draw conclusions about the impact of the particular intervention.

Key MFO staff:

Monique Cohen, Ph.D. *Founder-President*

A recognized expert on the poor's use of financial services and client assessment in microfinance, Dr. Cohen has published extensively on microfinance and the informal sector. She is a leading international authority on the use and advancement of financial services available to the poor. While previously with USAID, Dr. Cohen led the "Assessing the Impact of Microenterprise Services" (AIMS) project, and she is currently co-directing an initiative on microfinance impact assessment. She speaks regularly at Microfinance conferences and workshops around the world.

Michael Ferguson, Ph.D. *Senior Research Officer*

Dr. Ferguson is an expert on qualitative field methods, and his areas of research include impact assessment, evaluation, and market research. He is currently project manager for the Diaries studies underway at MFO. He holds a Ph.D. in cultural anthropology from the University of Michigan.

Guy Stuart, Ph.D. *Consultant*

Dr. Stuart is a Lecturer in Public Policy at the Kennedy School of Government, Harvard University. He uses "bottom up" methods, such as Financial Diaries and Participatory Research, to help microfinance organizations find the best way to serve their clients. He holds a Ph.D. in political science from the University of Chicago.

❖ *Units of analysis* – in all of our Diaries research, we analyze the data at three levels: transaction, individual, and household. This enables us to tailor the analysis to delve deep into end-user issues, in ways impossible with a narrower frame of analysis. Transactions level analysis, by isolating unusually large household expenses and studying the transaction patterns surrounding them can highlight how low-income households cope with economic shocks.

Our Experience

As of May 2010, we are engaged in three large-scale Diaries projects:

- 1) **Malawi (June 2008-current).** Data collection for this 18-month study was completed in late 2009, with analysis and report-writing ongoing. The study examined the impact of the mobile banking van (equipped with an ATM) of Opportunity International Bank of Malawi (OIBM) that provides microfinance services on a regular route to areas unserved by brick-and-mortar branches. Sample size was roughly 200 households; data on nearly 300,000 individual transactions was collected.
- 2) **Kenya (October 2009-current).** This 10-month study examines the M-Pesa e-money system and its myriad uses in Kenya. Sample size is roughly 80 households, divided evenly between users and non-users.
- 3) **Malawi (March 2010-current).** This 12-month Diaries project also involves a partnership with OIBM. The study will examine how the effects of a financial education program are expressed in the transactions patterns of learners, as compared with non-learners. Sample size is roughly 50 households.

Our Funders

Microfinance Opportunities' Financial Diaries studies in Malawi and in Kenya are implemented under The Financial Services Assessment project of the IRIS Center at the University of Maryland and Microfinance Opportunities with support from the Bill and Melinda Gates Foundation (BMGF). The Citi Foundation funded the second Malawi study. For more information about the Financial Diaries work please contact Michael Ferguson at michaelf@mfopps.org.

Select Publications

- ❖ *An Appetite for Credit: A Study of Product Innovation by Pro Mujer Peru.* Ferguson, Michael. 2007. Washington D.C.: Microfinance Opportunities.
- ❖ *Financial Education: A Bridge between Branchless Banking and Low-Income Clients.* Cohen, Monique, Danielle Hopkins, and Julie Lee. 2008. Washington D.C.: Microfinance Opportunities.
- ❖ *Malawi's Financial Landscape: Where Does Opportunity International Bank of Malawi Fit?* McGuinness, Elizabeth. 2008. Washington D.C.: Microfinance Opportunities.
- ❖ [Using Microinsurance and Financial Education to Protect and Accumulate Assets.](#) Cohen, Monique and Pam Young. 2007. *Reducing Global Poverty: The Case for Asset Accumulation.* Chapter 13. Ed. Caroline Moser. Washington DC: The Brookings Institution.