



# Ambition and debt

## Abul upgrades from a foot-powered to a battery-driven rickshaw



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Since late July, 2017, we have interviewed **Abul Hossain** every day, as part of the [Hrishipara Daily Financial Diaries project](#), recording all the money that flows into and out of his four-person household.

When we met him, Abul had just converted from Hinduism to Islam. His young wife **Shahnaz** dutifully followed her husband to change her faith despite the rupture it caused with her own family. When we met, they were raising their six-year-old son and two-year-old daughter in their new faith. They hope the children will stay on at school a lot longer than the eighth grade that the couple reached.

Abul, who is 34, has a basic knowledge of masonry and sometimes works on building sites. Yet his primary occupation is **driving a rickshaw**. He has moved up from a pedal-rickshaw to a battery-

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assisted one and more recently to a newer model, as shown in the photo. Shahnaz does some needlework and looks after their livestock but spends most of her time as a mother and homemaker. They are all in good health. Abul is an energetic, resourceful, and ambitious young man.



Abul with his latest rickshaw, June 2019 - Photos Shamol



Shahnaz when we first met her, sewing

In this blog, we will see how Abul achieved his ambitious move to a better vehicle, and how it relates to the economy and welfare of his household.

## The big picture

Our records show that **USD 29,478 entered Abul's household and USD 29,231 left** during the 22-month period from 1st August, 2017 to 31st May, 2019. So on an average, USD 1,300 flowed each way each month. The household does not use mobile money, nor bank checks nor other such instruments, so these transactions were all made in cash. The values are in International Dollars, converted from Bangladeshi Taka using an exchange rate calculated by the [World Bank](#), which allows for the fact that a dollar buys much more in Bangladesh than in the United States. Had we used the market exchange rate, Abul's inflows would have looked much smaller, at about USD 12,000.

## Their basic household budget

Our first chart shows how much of the total flows we consider as "core" household spending and "core" income from their day-to-day jobs.

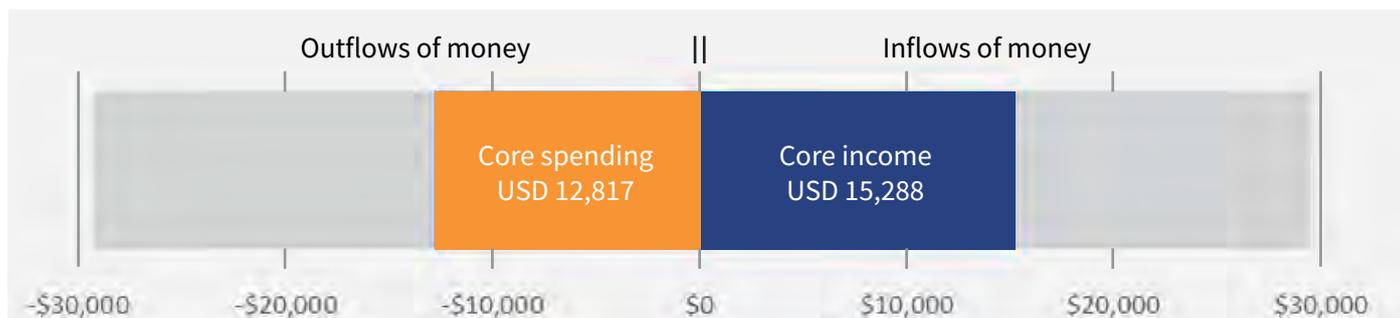


Chart 1: Total inflows and outflows for 22 months, highlighting **core spending and core income** International USD

The USD 15,018 of the core income represents only 51% of the total inflows, and the USD 11,552 only 40% of the total outflows, leaving many more transactions to be explained. The regular income exceeds the core expenditure, suggesting that there is room in their “basic” budget for other spending besides the “core” needs.

In Table 1, we show the composition of core income and spending.

As is the case with all our low-income “diarists”, food accounts for more than half of all spending. Over USD 2,000 went on rice alone, about USD 800 each on fish and vegetables, and almost USD 300 on cooking oil. The family spent USD 220 on poultry but just USD 51 on beef or mutton.

Entertainment barely features in their budget. Abul himself consumes tea and betel—almost all the manual workers in our sample chew betel once or twice a day. Some pocket money went on buying sweets. A little of the airtime was spent watching religious programs on his smartphone. Yet there was no cinema nor eating-out nor holidays, and they do not have their own TV. None of them traveled beyond the outskirts of the nearby town.

**Table 1: Components of core income and expenditure, for 22 months (based on 4,902 individual transaction records)**

<b>Core Income:</b>	International USD	%
Rickshaw driving (Abul)	\$10,630	69%
Masonry (Abul)	\$4,434	30%
Sewing (Shahnaz)	\$224	1%
<b>Total</b>	<b>\$15,288</b>	<b>100%</b>
<b>Core expenditure:</b>	International USD	%
Food	\$6,509	51%
Rickshaw recharge & repairs	\$1,218	10%
Tea and betel nut or betel leaf	\$1,185	9%
Utilities	\$960	7%
House rent	\$782	6%
Clothes	\$560	4%
Livestock feed and care	\$396	3%
Household consumables	\$324	3%
Pocket money	\$313	2%
Healthcare	\$198	2%
Education	\$178	1%
Transport	\$98	1%
Mobile airtime and repairs	\$96	1%
<b>Total</b>	<b>\$12,817</b>	<b>100%</b>

### Exceptional items

Abul’s family had other sources of income and expenditure beyond their “basic” budget, as shown in Chart 2.



**Chart 2: Total inflows and outflows for 22 months, highlighting exceptional spending and income International USD**

Exceptional income totaled USD 7,352 and consisted mainly of asset sales and gifts. In December, 2017 and June, 2018, Abul sold cows for USD 720 and USD 1,294 respectively, and in December, 2018, he sold a rickshaw for USD 2,088. On eight occasions, he received money as gifts from charitable neighbors, totaling USD 932. He also got two large back-payments for earlier work as a mason, totaling USD 705. For a short period at the end of 2018, he owned two rickshaws, and rented one of them out, earning USD 271.

Exceptional expenditure came to USD 5,430. Here too, a small number of large transactions dominate: USD 3,324 went in one go on a new auto-rickshaw in June 2018. Other big sums went for a rickshaw battery and a collection of masonry tools.

### The balancing act

We can now fill up the remaining blanks in the chart, which relate to their financial transactions.

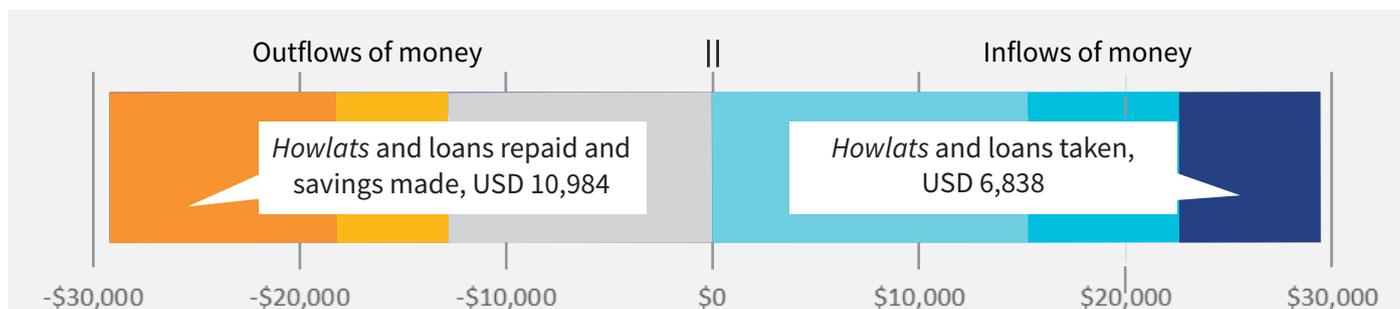


Chart 3: Total inflows and outflows for 22 months, highlighting **financial transactions** International USD

Abul admires both self-sufficiency and the tradition of community self-help, which was an aspect of Islam that attracted him to the faith. In his earliest interview with us, he revealed that he would avoid taking or paying interest and rely on the custom of giving and taking interest-free cash loans known as *howlats*—common in Bangladesh among all religious groups. In fact, his budget has remained too constrained to allow him to give *howlats*, although he does offer gifts to religious people and institutions. Yet we have seen him take and repay seven *howlats*, the largest of them amounting to USD 206.

However, he could not get a *howlat* large enough to finance the replacement of his worn-out battery rickshaw and had to borrow on interest. He took USD 1,662 from a friend, agreeing to repay USD 10.30 each day until he had repaid USD 2,250. He honored the agreement but soon started looking for a better deal. Four months later, he paid off the loan with a less expensive one from a sympathetic neighbor and continued repaying daily. Yet even that proved tough, and he borrowed again, this time taking USD 294 and agreeing to pay interest of 10% a month.

His wife Shahnaz viewed these loans with dismay. Before their marriage, she had been a client of a Microfinance Bank (MFI) but had dropped out at Abul’s insistence when she converted to Islam. Now she quickly re-joined two MFIs—Grameen Bank and ASA—and convinced her husband that MFI loans were both cheaper and easier to manage than informal loans. Within a month, she had taken USD 588 from each MFI, repaying each USD 15 a week along with savings of USD 3. Within six months, she joined a third MFI, the Dum Foundation, again taking a first loan of USD 588.

At USD 54 a week, the repayments and savings began to absorb a sizeable chunk of income, but more was to come. In April this year, ASA agreed to a second loan of USD 1,176. Abul told us “I had no choice but to take it. I can no longer repay my *howlats*, my informal loans, and my MFI loans from my current income.” He hopes to use this new loan to pay off enough of his debts to bring his affairs back to order. It is not yet clear whether he will manage to do so. A bright spot is their MFI savings: they have never drawn down on them and were able to add some money received as gifts to their savings, which had risen to just over USD 500 by the end of May.

### Time and money

Here and the following section, we will look more closely at how their transactions are spread out across time, starting with a monthly analysis of the total flows, as illustrated in Chart 4.

The chart reveals June, 2018 as a turning point. Until then, Abul had stuck to his self-reliant path. Twice, in September,

2017 and January, 2018, he sold an old rickshaw and bought a better one. He financed both deals from masonry back pay among other resources. However, he got tired of constant repairs that cost him time and money and in February, 2018, went back to masonry.

However, as the chart shows, his income then fell below their core expenditure. By June, 2018, his income reached rock-bottom. He made his big decisions: to buy a much better, although second-hand, auto-rickshaw by selling their cow and borrowing on interest from a friend and from two MFIs.

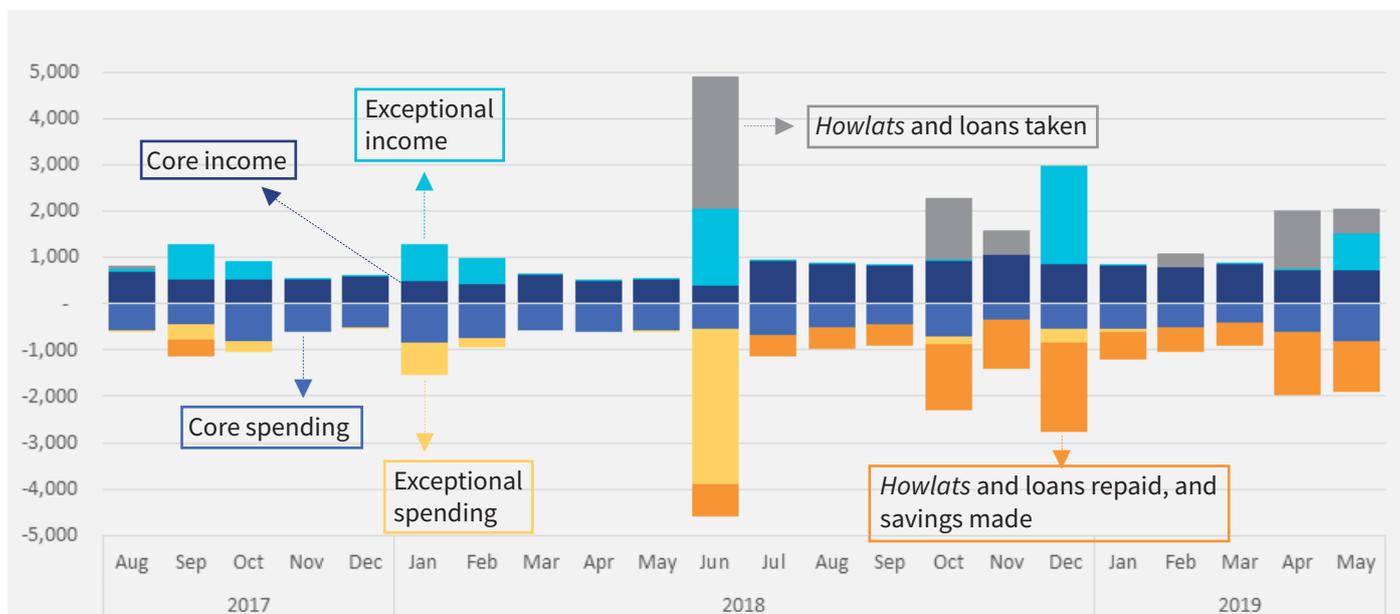


Chart 4: **Monthly totals** for the six categories, International USD

The impact on their core income was immediate. The auto-rickshaw allowed him to ride it for more hours per day, and the need to service the debt drove him to moonlight as a mason whenever he had the chance. Since July, Abul’s core income has exceeded core expenditure every month except the most recent. Yet debt repayment had emerged recently as the biggest item in his budget. At first, he had not sold his previous rickshaw and had rented it out daily. In December, 2018, he changed his mind and sold the machine to repay the debt in part. As we have seen, he has also continued borrowing in growing volumes from the MFIs. The MFIs require their borrowers to repay their loans in equal weekly installments, along with interest. So far, they have maintained the schedule, though they have sometimes had to scramble for short-term *howlats* and gifts to do so.

### The daily grind

What do their transactions look like on a day-to-day basis?

In Charts 5 and 6, we look at two contrasting months, May, 2018 and May, 2019, which show the daily totals for each of our main categories. We have deliberately kept the vertical scale the same for the two charts, to emphasize the dramatic change that took place in their money management.

In May, 2018, Abul had a steady but low-paying job but struggled to meet his core spending needs. A year later, he had a bigger but more volatile income as an auto-rickshaw driver, yet had become indebted to private and MFI lenders.

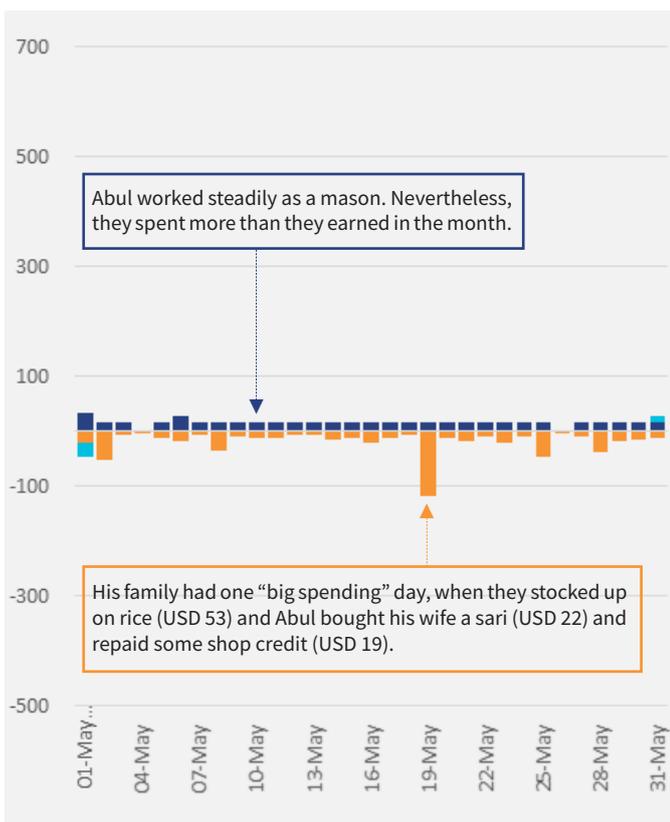


Chart 5: **Daily totals** for the six categories, **May 2018**, International USD

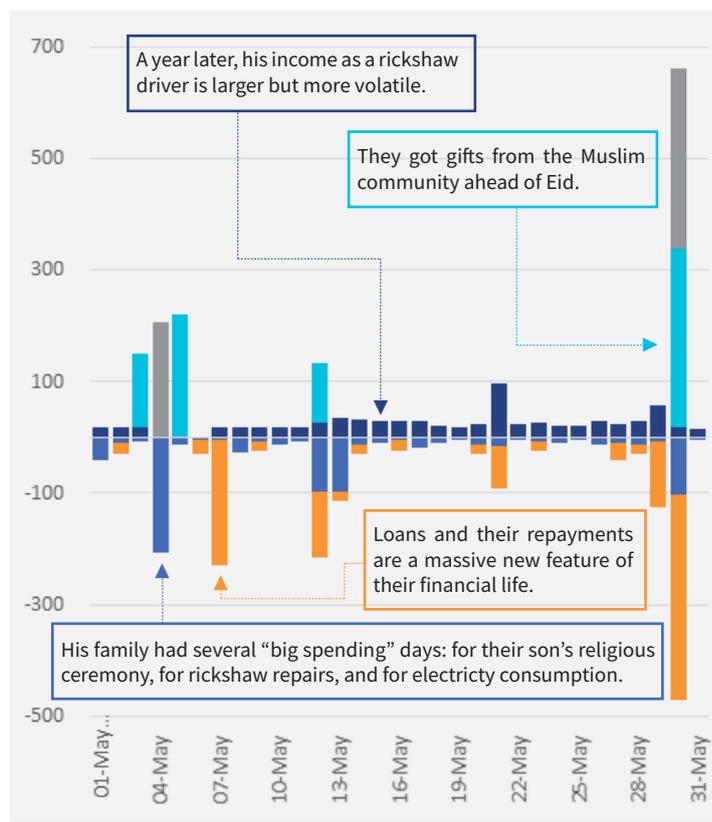


Chart 6: **Daily totals** for the six categories, **May 2019**, International USD

### Is Abul too poor to succeed?

By international standards, Abul’s four-person household is poor, but not extreme-poor. To reach that conclusion, we took their transactions over the 22 months we have been tracking them and calculated **consumption per-person per-day**. Consumption is not the same as “core expenditure” since the latter includes items like rickshaw repairs and battery charging, which are the business costs of producing their income—consumption does not include those costs.

By those calculations, they consume just over USD 4 each per day. This puts their consumption at about twice the level that the World Bank sees as the upper limit of extreme poverty, leaving them close to the “upper poverty line” used by the

Bangladesh government to measure poverty in the country.

In short, Abul and his family are tantalizingly close to escaping from the “poverty” label altogether but face the challenge of learning how to manage considerable debt. We intend to stay with them long enough to see whether they succeed.

Stuart Rutherford  
June, 2019



Shahnaz and children now, at their rented home - Photos Shamol

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.



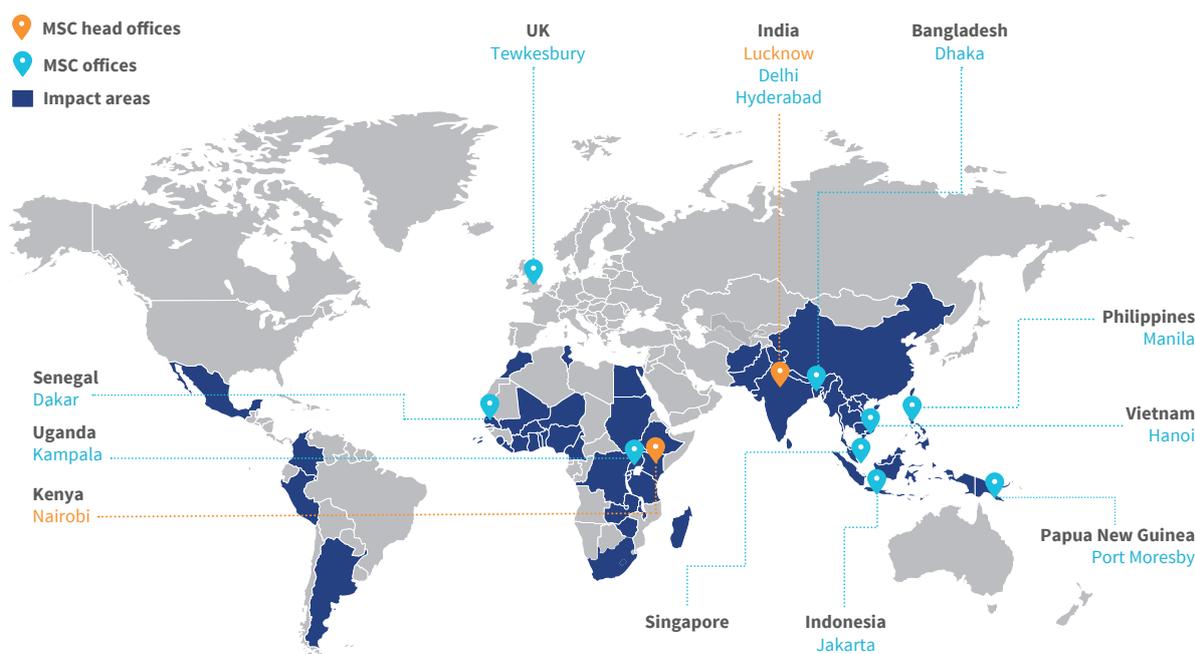
## Author: Stuart Rutherford

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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