

FINANCIAL DIARIES

Pathway Component: agricultural income; women's empowerment; food expenditure; non-food expenditure

Search Category: farm & non-farm income; gender & women's empowerment; household food & non-food expenditure

Date of Design: 2003

Designer: Financial Diaries

Contact Institution: Daryl Collins at dcollins@commerce.uct.ac.za

URL: <http://financialdiaries.com/methodology>

CONTENT SUMMARY

Brief Description: The Financial Diaries methodology establishes a comprehensive picture of the financial inflows and outflows of poor households by gathering data on income, consumption, savings, lending, and investment. This is achieved by compiling a record of household transactions through a year-long, bi-monthly interview with a sample of poor households. The methodology can result in a multi-dimensional, comprehensive set of data on household financial management that is both qualitative and quantitative. The data set captures financial instrument usage across different types of households and tracks that usage over time. Financial flows are captured, in addition to the texture of the decisions that went with those flows: why a transaction was made, the intent behind the strategy, and what is done with lump sums of money.

Uses: The methodology collects detailed information about cash flows, which can serve a number of purposes, including to:

- Understand household preferences, attitudes, and behaviors.
- Test specific hypothesis (for example, whether diversifying income sources is a more effective path out of poverty than increasing agricultural yields).
- Understand how households cope with shocks.

- Examine differences between the portfolio of financial devices of households with different livelihoods.

Tool Components: The methodology is comprised of a number of different questionnaires, including the initial interview, follow-up, and a financial instrument and change questionnaire. These tools allow tracking of changes in finances, assets, income and expenditure patterns, and current and previous use of financial instruments.

OPERATIONS

Number of Staff Required: This will vary depending on the number of households included in the sample. In the South Africa example provided, each area had a sample of 60 households that was covered by two fieldworkers (one of each gender). With a total of three areas, six fieldworkers were required.

Time: Comprehensive financial diaries require bi-monthly data collection for one year. There is also a "lite" method, in which households are tracked for several months rather than a full year. Note that the "lite" method has serious limitations when households are engaged in cyclical activities such as agriculture.

Cost of Assessment: This will be determined by the number of households included in the sample and the context in which the data collection is taking place.

Training: Not specified, but all enumerators would require training on the use of the questionnaires.

Geographic Targeting: The method can be applied for any geographic area. The South Africa example provided is based on the entire country, with stratified sampling across provinces.

Type of Data Collection: Previous diary methodology studies have been mostly qualitative, involving unstructured interviews and open-ended discussions. The revised methodology uses a combination of closed- and open-ended questionnaires in order to enhance the quantitative output. There are roughly 28 pre-defined financial instruments that each has its own questionnaires that define different aspects of the instrument.

Degree of Technical Difficulty: This method is time consuming but not extremely complex. Enumerators must understand which questionnaires to use, but regular tracking of the same households will make the process simpler to follow.

Complements other Resources: Information collected could provide critical insights into vulnerability analysis and modeling the impact of shocks or interventions. This could feed into analyses such as the Household Economic Approach or the Cost of the Diet.