

Measuring Capabilities: Using Financial Diaries in Bangladesh



Julio Linares and Yu-hsuan Su

Abstract Financial diaries were first developed by Stuart Rutherford to provide a better method for understanding the lives of people living in precarious conditions around the world. Financial diaries help uncover the social relations that are hidden in nationwide statistics by adding important ethnographic and financial information on a day-to-day basis. The financial diaries in the present study track the daily cash flows of 39 people from March 2015 to November 2016 in the town of Kapasia, Bangladesh. The diaries provide a precise look at the different financial decisions the diarists took over time and the different interactions that others had with them. We propose the usage of financial diaries as a way to enhance both the practical and philosophical aspects of the capabilities approach, using an approach that is broadly informed by sociological theory. Money is a process underpinned by many different types of religious, political, economic and social relations. Through financial diary data we try to delineate the rules and resources embedded in the social structure of the diarists to understand some of their capabilities. The present chapter provides examples measuring how resources such as debt, transfers and gifts can either enhance or reduce people's ability to be and do different things.

Keywords Financial diaries · Bangladesh · Capabilities approach · Poverty · Money

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J. Linares (✉)

London School of Economics and Political Science, London, United Kingdom

Y.-h. Su

National Chengchi University (NCCU), Taipei, Taiwan

e-mail: yuhsu@nccu.edu.tw

1 Introduction

Financial diaries were first developed by Stuart Rutherford and others in order to provide an empirical method for comprehending the financial lives of the poor. The book *Portfolios of the Poor: How the World's Poor Live on \$2 a Day* (Collins et al. 2009) describes this method and their findings. The diaries consist of tracking the cash flows and decision making of individuals in a household over time. The money flows provide a tool to enhance our understanding of how people living in poverty deal with low and often unpredictable incomes.

Financial diaries can serve as a complement to existing multidimensional poverty metrics as they provide a very granular and locally-comprehensive look into specific groups of people, uncovering dynamics that might be hidden in nationwide statistics. Financial diaries can be used to complement, contrast and enrich the existing multidimensional poverty measurements and methodologies that evaluate the so-called impact of programs, such as Randomized Controlled Trials (RCTs).

The financial diaries in this study were conducted in Kapasia, central Bangladesh.¹ The diaries were collected from March 2015 to November 2016 by the staff of Shohoz Shonchoy (Easy Savings), an experimental microfinance institution which specializes in saving and flexible loan products.² A total of 50 diarists participated in the study, of which 39 individual diaries were analysed for the purposes of this study. Diarists are paid 100 taka (US\$PPP2.78) a week in acknowledgement of their help. Written confirmation of their consent to use their data and photographs was obtained, and protections for their privacy are agreed upon.³

Savings groups, different forms of labour and income generating activities, expenditure behaviour, debt-arrangements, gifts and diverse transfers are the main types of monetary interactions present in the study. This study focused on monetary gender differences—particularly the disparities in which women and men give and receive money. Through an understanding of money as a process underpinned by many different types of relationships (religious, political, economic, social, etc.) an outline of the diarists' life appears as well as the inequalities present in the area (Dodd 2014; Graeber 2011).

Through this lens, the aim of the study is to explore how peoples' capabilities can be assessed through the usage of financial diaries by focusing on the different transactions that people are involved in throughout their daily life. By analysing the financial diaries of these individuals, this study tries to reconstruct the relationships involving money to understand the socio-economic structures at play in daily life.

¹The diarists live and work around the market town of Kapasia, whose population is over 350,000 people according to a 2011 census (Bangladesh Bureau of Statistics 2012).

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³All the diarists' names are changed for confidentiality purposes.

The present study draws from insights in economic sociology and economic anthropology in an attempt at creative synthesis with the literature in development economics. At the theoretical level, this investigation was motivated by the attempt to breach the gap between agency and structure through a relational analysis of money in societies. At the practical or policy level, the aim was to create a method which humanizes the societies which economists often treat as objective variables in a dataset. In contrast, this study of money and society is an attempt at constructing tools for the understanding of poverty that uses literature from a diverse set of disciplines and genealogies.

The present analysis compared the aggregated choices of female and male diarists and questioned whether it was possible to delineate patterns from the data that could be used to measure and understand their capabilities. Through the data, our aim was to reconstruct the capabilities of people in terms of the implicit and explicit rules and resources that recursively make up the structures of their society (Giddens 1979; Bourdieu 1977). Our focus was on the pre-conditions (resources), processes (agency) and outcomes (achievements) of choice present in the lives of the diarists throughout the time of the study (Kabeer 1999). Simmel once wrote that money is a claim upon society (Simmel 2005). While the theoretical lens may vary, we hope the diaries can be used as a tool to understand money and its relationship to society in very different places.

By viewing the diarists in the context of their specific social world, the study asks how women's resources, agency and achievements were measurably different in comparison to that of men. How were the financial decisions of female diarists different from that of male diarists? Based on the diaries, can we draw out the rules that influenced those decisions? How do monetary interactions with female and male diarists differ? Can we derive observable patterns from the data? What are they? What differences can be observed when looking at the resources the diarists had? How do gifts, transfers and debts differ when given to men as opposed to women? How do female and male diarists use these transactions when giving it to others? How to understand such transactions and how do they affect the diarists' well-being?

Through an analysis of financial flows, this chapter outlines some of the diarists' resources and outcomes to construct a picture of their lives. We then try to extrapolate and look for structural patterns. Through this exploration the study hopes to contribute to the existing literature by providing an alternative methodology to measure and understand how capabilities are constructed and bounded by the specific reality that people face.

2 Financial Diaries Overview

After *Portfolios of the Poor* was published, there has been an increased interest in carrying out financial diaries research in different countries in order to broaden the understanding of the financial lives of poor people with diverse backgrounds and experiences. These studies have helped to strengthen and expand a lot of the findings

and claims made in the book. Countries where financial diaries have been implemented include South Africa, Rwanda, Mozambique, Tanzania, Mexico, Kenya, Pakistan and most recently in the United States (Anderson and Ahmed 2015; Collins 2007; Meka and Grider 2016; Murdoch and Schneider 2017; Sanford 2016; Tushabe et al. 2013; Zollmann 2014).

Several broad characteristics and similarities can be drawn from the different regions where financial diaries were conducted. These characteristics are present in various societies who live on very low wages around the world. The economic anthropological information that we can derive from financial diaries research provides insights of how global capitalism interacts, through money, with different societies living in poverty and the ways in which people protect themselves against economic insecurity. Below is an overview of some of the comparable characteristics found in financial diaries research across different societies around the world:

- *The triple whammy*: One of the ongoing commonalities found in the financial lives of the people living in poverty is that households have to cope with incomes that are not just low, but also irregular and unpredictable. Coupled with the few financial tools that can effectively manage these uneven flows of money, they face what the original authors referred to as a “triple whammy”: low incomes, irregularity, and a lack of adequate financial tools (Collins et al. 2009).
- *Patching income from different sources*: Because incomes are low, irregular and unpredictable, people rely on different forms of labour and entrepreneurial activities. This is consistent with evidence found by other authors (Banerjee and Duflo 2007). Social and financial debt, gifts and saving groups help people in allowing them to have better chances at matching their expenses. Regular employment income is rare unless working for the state or running a shop, and people tend to rely on self-employment and various combinations of agricultural and non-agricultural work, depending on the region in which they are in (Anderson and Ahmed 2015; Sanford 2016; Tushabe et al. 2013; Zollmann 2014).
- *High velocity of cash flows*: To smooth consumption, people living in poverty have to patch income from different sources, which entails a very high intensity of different types of transactions and money flows. Because of this, financial intermediaries are important to help manage these flows (Collins et al. 2009).
- *Financial intermediaries*: These can be either formal providers, like banks and microfinance or “informal” ones, like money lenders, home savings, rotating saving groups like RoSCAs or ASCAs, and credit given at a shop. People are always using different forms of financial arrangements to help meet their needs. One of the most interesting commonalities throughout the diaries around the world is *that small, non-interest-bearing loans among individuals are more recurrent and prevalent than debt coming from microfinance and money lenders*. In other words, the social debt of society is more commonly used than debt coming from banks. However, they are usually also smaller in value. Social debt plays a crucial role on the daily life of the poor as it helps them to smooth short-term consumption without having to go to a financial institution. Here we define social debt as any type of loan involving money taken between two or more

individuals. There are many types of social debt. For example, shop credit, which is prevalent across different societies and is mostly used to smooth consumption when a customer is not able to pay. But these arrangements are not private and can lack reliability. When people don't pay back, shop keepers or friends may rely on shaming, which harms the "face" and trust of people (Anderson and Ahmed 2015; Meka and Grider 2016; Tushabe et al. 2013; Zollmann 2014). We will come back to this point when we analyse the different types of debt relations.

- *Transfers*: Intra-household transfers measured by financial diaries help us delineate and understand power relations present in a family, as evidenced by the distribution and agency over money. The diaries in Mexico and Kenya show that transfers such as remittances are used either as insurance or as a way of investing in one's livelihood by buying better quality of food and services. In many cases, these raise the level of incomes people have, especially women (Sanford 2016; Zollmann 2014).

3 Approaching Capabilities

The capabilities approach was developed initially by Amartya Sen as an alternative to traditional utilitarian and economic conceptions of well-being. The capabilities approach aimed to be an open-ended approach which could be used to look at the different functions and capability sets that a person could have. Amartya Sen's concept of capabilities refers to the potential that people have to live the lives they want and to achieve valuable ways of "being and doing" (Sen 1999). However, Sen himself has noted that:

While the nature of the respective approaches has been much discussed and developed at the conceptual level, they have not typically been much applied formally with empirical data. There is a gap here that is somewhat similar to the hiatus between utilitarian theory and the practice of utilitarian applied welfare economics. The possibility of practical use is limited both by data availability and the ambiguities of parts of the subject matter (so that the practical uses have tended to be confined to a limited class of variables which are more precisely obtainable, such as life expectancy). (Sen 2000)

Some note that the weaknesses of the capabilities approach are its extreme emphasis on choice; obscurities in key concepts such as functions, capability and capabilities; and its emergence from a dialogue between economics and philosophy without much involvement from psychology, sociology and anthropology (Gasper 2002).

In 1990, Sen and Mahbub ul Haq developed the Human Development Report (HDR) and Human Development Index (HDI) in hopes of creating a multidimensional metric that could measure the capabilities of people in different domains. The 2015 briefing note of the Human Development report explains:

The HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard

of living. A long and healthy life is measured by life expectancy. Knowledge level is measured by mean years of education among the adult population, which is the average number of years of education received in a life-time by people aged 25 years and older; and access to learning and knowledge by expected years of schooling for children of school-entry age, which is the total number of years of schooling a child of school-entry age can expect to receive if prevailing patterns of age-specific enrolment rates stay the same throughout the child's life. Standard of living is measured by Gross National Income (GNI) per capita expressed in constant 2011 international dollars converted using purchasing power parity (PPP) rates. (United Nations Development Programme 2018)

The HDI is only one of many different types of normative indices that are meant to measure the extent of people's capabilities and inequalities in domains such as gender and poverty. When it was introduced, the HDI represented a movement away from pure growth-centric thinking (Gertner 2010) and many improvements have been made to its computation and methodology ever since (Klugman et al. 2011).

Yet the usage of such indices introduces the problematic of homogenizing the reality of diverse societies into one "holistic" metric. While this might be useful to some policy makers, it has the effect of filtering out the qualitative nature of different societies and does not portray much about the social dynamics and power relations at play in each local context. If the "improvement of the human condition" is the goal of policy makers, these metrics do little in informing us about the complexities and realities of everyday life, which is a pre-condition for better policy.

Even though the capabilities approach has been stated to be open-ended and adaptable to each environment, authors have first used existing categories across countries to provide models like the HDI to measure the extent of human development based on the different levels of deprivation of achieved capabilities that a person, household or country has. Philosophers like Martha Nussbaum have theorized about categories of basic capabilities which are epistemologically based on certain assumptions of human nature (Nussbaum 2011). As Talal Asad notes:

The ability to choose freely whether or not to exercise a capability sometimes encounters a contradiction: because certain choices are irrevocable, they themselves may constitute insurmountable obstacles to further choices (as an illiterate one cannot make an informed choice regarding literacy unless one has experienced it, but having become literate one cannot then change one's mind). Second, it is a notorious fact that human capabilities and the conditions in which they are realized are subject to conflicting interpretations. When "human capabilities" are legally enshrined the business of interpreting them is the privilege of judicial authorities and technical experts, and politics proper is excluded. In brief, it becomes a matter of domination rather than negotiation. (Asad 2003)

When doing research, interpretation and privilege is always an issue. What lens might one use that does not fall on the mistake of rendering the technical to the political? The question then becomes how to inductively create knowledge about "human capabilities" that does not exclude politics. Understanding the social life of money, we argue, is one methodology to do so (Dodd 2014).

4 Theoretical Framework: Structuring Capabilities

Anthony Giddens' theory of structuration argues that structures in societies should be regarded as dual, that being "both the medium and outcome of the practices that constitute social systems" (Giddens 1981). By this he refers to the idea that while human practices constitute and reproduce structures, structures in turn shape people's practices. Human agency and structure are thus not *opposed* to one another but actually *presuppose* each other in a constant process of reproduction. As Giddens puts it: "structures must not be conceptualized as simply as placing constraints on human agency but as enabling" (Giddens 1976). In the glossary of *The Constitution of Society* Giddens defines structure as:

Structure: Rules and resources, recursively implicated in the reproduction of social systems. Structures exist only as memory traces, the organic basis of human knowledgeable ability, and as instantiated in action. (Giddens 1984)

Following Giddens' idea of structures as being dual, resources are "the instantiations or embodiments of schemas [rules], and therefore inculcate and justify the schemas [rules] as well" (Sewell 1992). Rules (or schemas) here refer to the "generalizable procedures applied in the enactment/reproduction of social life" (Giddens 1984) and resources as "the media by which transformative capacity is employed as power in the routine course of social interaction" (Giddens 1979). Put simply, resources are *those things which can be used as a source of power in social interactions. Rules are the processes through which power is reproduced.* As Sewell notes, these resources can either be human ("physical strength, dexterity, knowledge and emotional commitments that can be used to maintain or enhance power") or non-human ("objects, animate or inanimate, naturally occurring or manufactured"). Resources are distributed in many ways across different societies, but they are nevertheless controlled by all members of society in different degrees. Therefore, to conceptualize humans as having agency means, in part, to conceive them as being empowered by their access to resources (Sewell 1992).

Giddens' structuration theory and Sen's capabilities approach can be merged to provide a more critical understanding of how capabilities are constructed, both in the material and the meta-physical sense. Instead of a top-down focus on preconceived universal capabilities and functionings that are basic to people's lives, the diaries are an inductive tool from which to analyse at the rules and resources embedded in the diarists' social world. The information that comes out of the movement of money by people, the social life of money, makes it possible to delineate and theorize the different aspects of the diarists' social structure.

By observing the reality of people's decisions and outcomes through financial diaries data, we try to define the loose categories that appear through people's decision making as the diaries progress. We delineate these categories by comparing them (in this case between men and women) and looking at the discrepancies and measurable inequalities that are visible from the money flows and their respective meaning. In the following sections, we provide some examples of the different rules and resources that became visible through the diaries and denote the different ways

in which the rules embedded in each type of transaction affected what the diarists could *be* and *do*.

5 Patriarchy and Bangladesh

The social structure of Bangladesh follows a pattern that authors identify as classic patriarchy, which normally reproduces itself through operations of the patrilocally extended household (Kandiyoti 1988). Classic patriarchy works in a way where young women are married and given away into households headed by their husband's father. Women thus become subordinate to all the men in their newly extended family and to the more senior women, like a mother-in-law. Classic patriarchy is characteristic of South Asia as well as East Asia and the Muslim Middle East, where the ownership of women traditionally falls on the men. This system is associated with the reproduction of the peasantry in early agrarian societies (Wolf 1966).

Kandiyoti defines the *patriarchal bargain* as women's ability to strategize within a set of concrete constraints that reveal and define the blueprint of any given society. Patriarchal bargains vary depending on the different ethnic group, class or caste and it exerts a great level of influence on determining the power relations in any particular place. Patriarchal bargains affect "both the potential for and specific forms of women's active or passive resistance in the face of their oppression". This is not a deterministic concept as patriarchal bargains change depending on historical transformations, imagination and the different material conditions in a given area.

For example, a study of a village in Bangladesh shows how poverty can place strong tensions on the different bonds of obligations between kinship and men's normative obligations towards women (Cain et al. 1979). The study shows that the key to this system lies in the fact that "male authority has a material base, while male responsibility is normatively controlled". What this means is that patriarchy is grounded on the control of material resources and supported by religious and political systems or rules. Women's ability to produce male offspring becomes one of their primary resources. The loyalty of their sons ensures them a place of power within the household before and after they marry. These rules and resources recursively reproduce the structures that are present in Bangladeshi rural society. With this context in mind, the next sections compare the diarists' transactions to analyze how their practices meet theory and draw some conclusions from the data.

6 The Social Life of Money: Incomes, Transfers and Gifts

Our research tracked the money inflows and money outflows that the diarists had on a daily basis. Financial diaries allow us to check the amount of income earned by each diarist, yet this does not portray the total amount of money they actually have

in their command. If we were to look only at the income earned directly from different forms of labour performed, we would end up with a narrow picture of reality. We find that gifts and transfers represent a very significant “supplement” of income, especially among women.

Table 1 shows the total amount of income earned by each diarist over the course of the diary time, the balances of the gifts and transfers they were involved in and the total amount of *actual* money earned after accounting for these categories.

The Total Money Earned column shows the incomes of the diarists plus the remaining balances after deducting the Transfers and Gifts given to and received from others. In this regard, Transfers and Gifts could also be considered what economists call “unearned” income. Almost 10 of the 16 female diarists at least doubled the money they earned if we take into consideration the balances from Gifts and Transfers, with female diarist Jihal reporting 167 times more money after accounting for the balances from Gifts and Transfers. In contrast, only one of the male diarists doubled the actual amount of money he had, after accounting for the balances in Transfers and Gifts.

We think that this points to the structural income inequalities between men and women in rural Bangladesh. The disparities in resource allocation and rules that

Table 1 Total amount of money earned by diarists

Panel A: female diarists							
Name ^a	HH size	Diary days	Income (I)	Gifts balance (G = GFO-GTO) ^b	Transfers balance (T = TFO-TTO) ^c	Total money earned (I + G + T)	Total money earned / income (I + G + T/I)
Inorik	2	560	21,310	345	-513	21,142	0.992
Sila	3	514	1,071,620	2710	-1362	1,072,968	1.001
Rasi	4	486	115,043	34,045	-1329	147,759	1.284
Nashi	3	486	52,459	44,460	-3851	93,068	1.774
Kami	3	466	37,760	35,895	10,516	84,171	2.229
Atil	4	448	5250	32,779	75,047	113,076	21.538
Merona	5	437	1,153,828	8470	100,740	1,263,038	1.095
Binufa	2	410	31,132	2226	-4450	28,908	0.929
Nilati	4	375	6490	2410	181,435	190,335	29.327
Fulaf	4	374	12,390	43,490	87,095	142,975	11.540
Aliza	6	374	2600	-810	172,204	173,994	66.921
Nylufa	4	373	131,705	-12,830	335,270	454,145	3.448
Perla	3	384	1940	-25,260	334,731	311,411	160.521
Jihal	4	372	3250	-11,300	552,371	544,321	167.483
Anicca	4	352	10,400	-6940	530,264	533,724	51.320
Toska	4	296	20,935	-557	-2365	18,013	0.860

^aThe market exchange rate for at the time of the end of the study was 1 USD = 77.3288 BDT (Bangladeshi Taka)

^bTotal of Gifts From Others (GFO) minus Gifts To Others (GTO)

^cTotal of Transfers From Others (TFO) minus Transfers To Others (TTO)

(continued)

Table 1 (continued)

Panel B: male diarists

Name	HH size	Diary days	Diary income	Gifts balance (GFO-GTO)	Transfers balance (TFO-TTO)	Total money earned (I + T + G)	Total money earned/ income (I + T + G/I)
Bori	5	560	149,950	-3455	4857	151,352	1.009
Samu	5	481	201,060	-1000	-3580	196,480	0.977
Falar	5	481	130,015	-3930	28,575	154,660	1.190
Shusom	5	466	900,025	-9330	191,889	1,082,584	1.203
Mirno	3	455	84,245	10,873	-824	94,294	1.119
Homim	4	455	174,086	-2020	-14,500	157,566	0.905
Namam	5	449	709,744	1689	-17,488	693,945	0.978
Bishnu	5	449	158,400	28,745	119,513	306,658	1.936
Mohammed	9	437	335,815	-7450	27,735	356,100	1.060
Prossim	4	424	130,800	0	5415	136,215	1.041
Alim	2	417	125,401	-4659	5457	126,199	1.006
Harish	5	417	146,945	-130	-17,740	129,075	0.878
Abadhu	4	417	169,825	163,700	19,293	352,818	2.078
Hardim	5	408	436,172	67,495	179,393	683,060	1.566
Abdullah	7	408	435,780	-4520	255,708	686,968	1.576
Habib	6	407	525,089	39,050	-17,075	547,064	1.042
Sammadhi	4	374	157,715	-1470	-3560	152,685	0.968
Sandip	4	296	135,200	24,500	-12,985	146,715	1.085
Assam	3	294	74,640	0	-105,400	-30,760	-0.412
Mizmo	5	286	116,212	0	-8760	107,452	0.925
Anzarri	3	286	181,571	-500	-510	180,561	0.994
Yenma	1	286	94,330	-320	-79,615	14,395	0.153
Hazrim	1	277	43,480	0	-26,000	17,480	0.402

disfavor women create a structure of inequality which relies on gifts and transfers as the available mechanisms for redistributing wealth within households and the extended society. As exemplified by the table above, there is a gender to the gift: women have access overall to more resources than men in terms of the gifts and transfers that they received. This allows women to have more access to capital that they would otherwise not have. Yet access to these resources does not necessarily signify a direct “expansion” of agency, as these transactions are bounded by the underlying rules in society, which favour men.

Patriarchal power relations play out in Bangladeshi society, where women tend to work in more informal and irregular jobs, without specializing in a specific profession and focusing more on the raising of children and household work. About 88% of the women in the study engaged in some type of informal labour, compared

to 39% of men. Because their occupation possibilities are limited, gifts and transfers work as social redistributive mechanisms that have the effect of smoothing the financial situation that women often face. These social resources allow women to do and be things which they would not be able to otherwise. These resources provide a safety net for them to build on while at the same time binding them to the rules which constrict them. These rules, like not being able to study or to work in a specific profession create dependency in women's incomes, keeping their earnings small and supplemented by contributions from their relatives, neighbours and so on. The structure of patriarchy is thus partly made visible through a look at the social life of money, or the different values, meanings and relationships that money carries. Money in this context creates a dependency through a type of economic rent in the form of transfers and gifts.

Women who lack access to these social resources have a different patriarchal bargain than their counterparts. To illustrate, Fig. 1 compares the incomes and total money earned of female diarists Inorik and Jihal with that of male diarist Shusom.

Inorik does casual work in shops in the Kapasia market like bringing water to shops and selling vegetables. Twice a widow with a daughter to take care of, Inorik is excluded from her family and treated as a maid, without any form of payment or help. Her total and average income is almost the same as the total amount of money she earned after accounting for her balance of gifts and transfers. Because of the lack of support, she constantly looks for work outside of her family network in the market stalls of Kapasia, relying on the local hijras who do not discriminate her, for employment. On the other hand, we have Jihal, who is a housewife and a farmer. She occasionally hires people to farm the acres of land that she owns with her husband, who has been in Dubai for the past 5 years and remits back constantly. Because she mostly works taking care of her three children, her actual income is very small compared to the amounts of remittances she receives from abroad. Her actual income also fluctuates considerably, probably due to the remittances receiving schedule. Compare their situation to male diarist Shusom, a local shopkeeper who receives most of his transfers from his son's daily labor. During the study, Shusom's total amount of money earned and average money were always higher than the income he derived from his shop.

The emphasis here is on the resources that each of the diarists had access to in relation to their gender and to those who supported them. While Inorik has no one to count on in her family and gets occasional help from transgender individuals, she relies mostly on herself to support her daughter, Jihal is almost completely subsidized by her husband's remittances, leaving her to mostly focus on reproductive and affective labour. In contrast, Shusom has his own shop plus the help of a male son that works and transfers his money back to him. Men's privilege to work in more professions and to travel allows for them to provide to their households with more money.

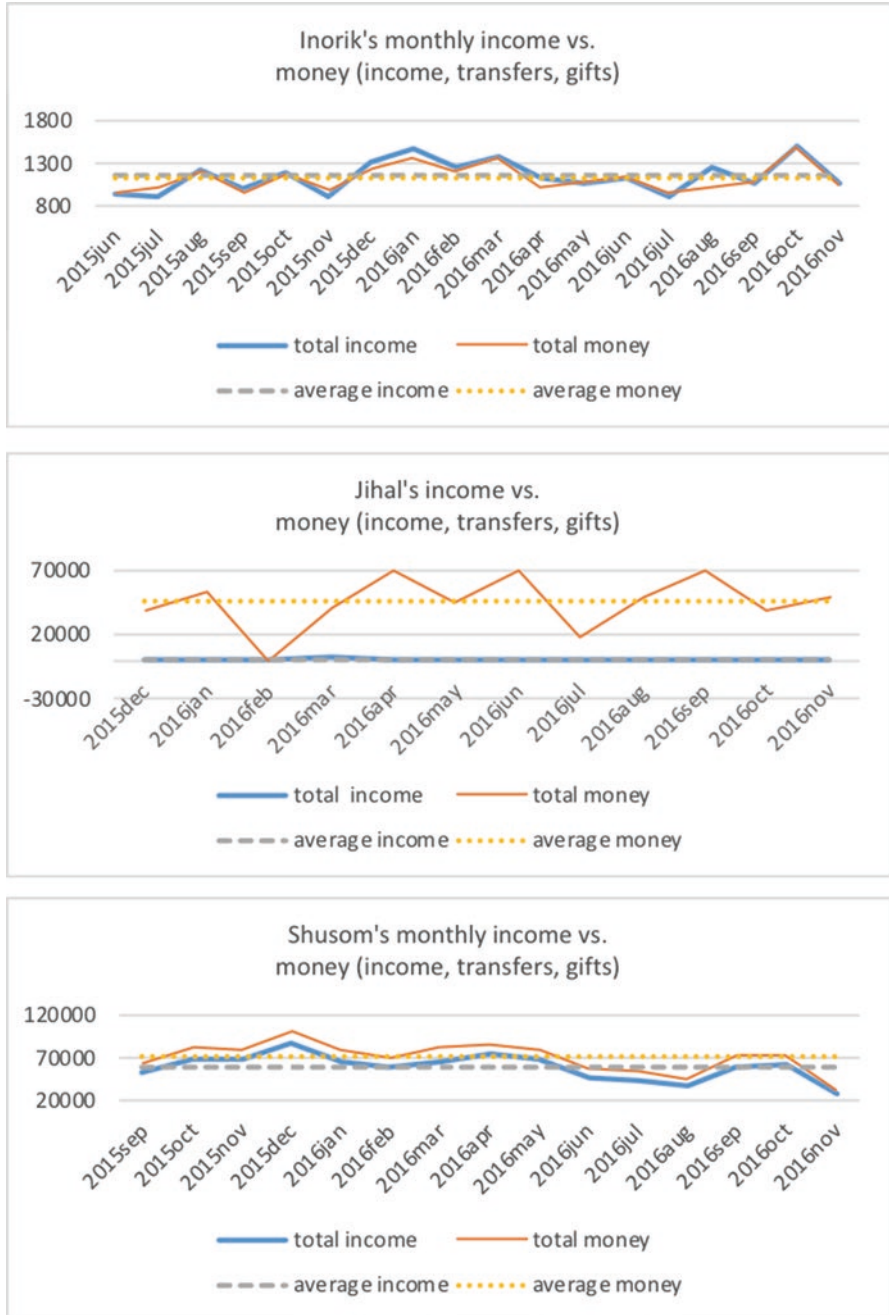


Fig. 1 Comparison of monthly income vs. total money earned (income, transfers, gifts)

7 Debt

Debt can be conceived as a type of moral obligation that involves a sense of balance, symmetry, or reciprocity between the different parties involved. Whilst debts denote a social relationship between two parties (what do we owe one another?) they are typically understood by economists as an objective value that is extracted (often violently) in the form of money (Graeber 2001, 2011). In this sense, all money is a form of debt but not all debt is money. Money is not a thing. Instead, money is a process underpinned by many different types of relationships (Dodd 2014). Yet the boundary between these types of relationships is often blurred in practice.

Paying back a debt can be thought of as a type of rule that binds humans regardless of place, although with varying power dynamics depending on who one pays the debt to. Debt is both a resource that societies have access to and a rule which binds their interactions. Using this terminology debt can be conceived as a structure, underpinned by many different types of human relations.

Various forms of debt relations create an interesting co-dependency between people in a group, leading to what some term distributed livelihoods, which refers to “the sorts of binding claims and counterclaims that can be made about [the general processes of distribution]” (Ferguson 2015, p. 20). The financial diaries in this study track all the forms of monetary debt arrangements present in the lives of the diarists. These arrangements portray the politics of distribution present in the area, which defines the debt in kind and hence the story.

8 Social Debt: The Role of Howlats and Baki

Over the past decades the literature on development has focused on the effects that credit given by microfinance institutions has on the poor. There have been heated debates on whether microcredit works as a way of helping people “get out of poverty” or if it’s another neoliberal trope (Banerjee and Duflo 2007; Karim 2011). As mentioned above, *microcredit is not the most common type of debt incurred by people living in poverty*. Financial diaries in this study and elsewhere⁴ provide evidence showing how the most frequent types of debts people living in poverty have are the ones that they have with each other.

Financial or monetary debts from neighbours, family, friends or shop keepers are vital in the daily lives of the poor as they create social safety nets whenever things go bad for the individual in a group. Without this level of mutuality or social debt, a lot of people would have an even harder time.

In Bangladesh, there is a type of non-interest-bearing loan given to friends, relatives or neighbours, called *howlat*. As Table 2 shows, howlats were the predominant

⁴The other financial diaries research around the world that we reviewed above are in line with our claims.

Table 2 Distribution of loans taken by diarists by institution or social arrangement

Panel A: female diarists								
Type of loan taken/ institution	Number of trans- actions	Number of diarists who report this sub class	Average trans- actions per person	Total sum	Percentage of total	Average	Min	Max
Howlat	149	12	12.42	439,009	40.12%	2946.36	4	70,000
Shohoz Shonchoy	4	4	1.33	70,700	6.46%	17,675	5000	30,000
Informal loan	1	1	1.00	50,000	4.57%	50,000	50,000	50,000
Informal Samiti	4	2	2.00	8000	0.73%	2000	500	5000
MFI (ASA, BASA, BRAC, etc.)	13	5	2.60	229,000	20.93%	17,615	8000	29,000
Co-op uddipan	2	2	1.00	40,000	3.66%	20,000	10,000	30,000
Grameen Bank	12	7	1.71	257,568	23.54%	21,464	5000	100,000
Total				1,094,277	100%			
Panel B: male diarists								
Type of loan taken/ institution	Number of trans- actions	Number of diarists who report this sub class	Average trans- actions per person	Total sum	Percentage of total	Average	Min	Max
Howlat	73	17	4.29	384,700	40.88%	5269.86	20	50,000
Shohoz Shonchoy	12	4	3.00	164,000	17.43%	13,666.6	9000	20,000
Informal loan	3	3	1.00	221,000	23.49%	73,666.6	10,000	200,000
Informal samiti	4	3	1.33	13,300	1.41%	3325	1300	5000
MFI (ASA, IDF)	2	1	2.00	120,000	12.75%	60,000	20,000	100,000
Coop valuaka	2	1	2.00	4000	0.43%	2000	2000	2000
Coop Dena Powna	2	1	2.00	34,000	3.61%	17,000	14,000	20,000
Total				941,000	100%			

form of debt incurred by both female and male diarists in the study. Howlats are probably the best example of the importance of social relationships within communities who struggle to meet their daily needs. They are smaller monetarily but more frequent and they allow us to measure the different social networks and reciprocal relationships that exist in the area. The insights from howlats show how people cope with irregular wages and unexpected circumstances.

Howlats represent 40% of all direct loan amounts taken by both women and men. Financial debt coming from microfinance institutions and cooperatives is the highest for women with 47% and 35.63% for men, excluding Shohoz Shonchoy (P9). This amount goes up considerably more for the male diarists when accounting for the indirect loans taken by their female relatives.

Similarly to the discussion about income, gifts and transfers in the previous section, these sorts of statistics on debt are usually absent from traditional economic analysis because methodologically, money is treated as an objective measure, a commodity with interest rates which is assumed to only come from banks. This is not a claim to undermine the importance of financial tools and well-intended institutions, rather it is to question the epistemological assumptions hidden in analysis of capabilities with regards to money (Sen 1999).

In practice, the variations to the types of loans taken by everyone depend on the specific form of need that arises in the life of each person and the different formal or “informal” financial instruments available to them.

Debts between people are usually not one-time transactions but constant reciprocal networks of social support. They entail a sense of obligation and can lead to social exclusion if one fails to keep their word. One loses face if one does not pay. Therefore, social debt is a resource that can both expand and at the same time bind the capabilities of a certain individual.

The ways loans from financial institutions are used differ considerably from how howlats are put into use. Howlats are mostly drawn upon for short-term needs that arise often sporadically and are smaller in size but more frequent. Whenever there is a need for cash and somebody lacks money, it is easier and far less costly to ask a neighbour or relative for money than to go to a credit cooperative or bank. This in itself is a type of short term saving for the creditor who expects his money back.

Another form of debt that was often incurred by the diarists in the study is that of *baki*, which means credit or remaining in Bengali. *Baki* is often given by shop owners who rely on credit as a way of keeping relations to keep their business running. Business owners rely on *baki* to sell to people who lack the money to pay for goods and services. Without *baki*, it would be much harder to keep on running their businesses, as less people would buy from them. Therefore, *baki* plays a big role in shaping how and where people spend their money. Nearly all diarists had some form of *baki*, whether from buying goods on credit or selling them.

To put this in perspective, 75% of the female diarists and 87% of the male diarists received payment for goods and services sold on credit. All the female diarists made payments for goods or services bought on credit, compared to 87% of the men. When access to cash is scarce, debt in the form of credit will take its place.

Table 3 The role of Baki

	Namam	Habib
Gender	M	M
HH size	5	6
Main occupation	Snacks vendor	Newspaper vendor
Total diary time (in days)	449	407
Total expenses over diary time	644,103	565,617
Total income directly earned over diary time	709,744	525,089
Direct income – expenses	65,641	–40,528
Total money earned (incomes + transfers + gifts)	693,945	547,064
Total income – expenses balance	49,842	–18,553
BB (total payments received for goods or services sold on credit)		243,170
BR (total payments made for goods or services bought on credit)	352,548	1000
# of times things were bought or sold on credit	437	284
Social debt (Howlats and Samitis)	10,000	1000
Financial debt (from financial institutions)	0	0
Total debt	10,000	1000

Baki is not only given by shop owners for the sale of food. Baki can also be used as deferred payment for wages and for basic services. For example, male diarist Nashi received his income for brick breaking after he had already done the work. Baki can also be given to raw materials. Male diarist Jihal had baki for the buying and selling on credit of construction materials like cement, sand and so on. Quite a number of the diarists used baki when they could not pay for the electricity bill.

To illustrate the importance of having social resources such as debt we compared the monetary transactions of the shop keepers, stall-holders, and snack and newspaper vendors in the sample in Tables 3 and 4. To be able to engage in business, shops give and take credit (baki) periodically. The ability of each shop keeper to keep track of the credit, and their sociability is important as it guides the success of their business.

Male diarist Namam sells snacks in a stall in Kapasia. Habib works as a newspaper vendor. While Namam reports big amounts of baki for goods he *bought* on credit, Habib reports this for the *sale* of newspapers on credit. In this way, we can see the composition of their specific professions and the need for debt for them to engage in business.

Namam has to prepare his snacks on a daily basis and thus is constantly buying the raw materials which he does not have the cash for at all times. Therefore, he relies on baki from shops which he has built trust with over time. In contrast, Habib sells his newspapers on credit as his customers might not have enough cash to pay for it when they buy it. Habib knows who his customers are as they all live in the neighbourhood. He constantly keeps track of the transactions he made, and remembers who owes him. If Habib did not give baki he would have a harder time at deriving an income, as less people would buy from him. Without social debt, living would be harder.

Table 4 Debt comparison between female and male shop keepers

	Sila	Shusom
Gender	F	M
HH size	3	5
Main occupation	Shop keeper	Shop keeper
Total diary time (in days)	514	466
Total expenses over diary time	1,027,042	937,834
Total income directly earned over diary time	1,071,620	900,025
Direct income – expenses	44,578	–37,809
Total money earned (incomes + transfers + gifts)	1,072,968	1,082,584
Total income – expenses balance	45,926	144,750
BB (total payments received for goods or services sold on credit)	32,773	5190
BR (total payments made for goods or services bought on credit)	20,300	111,733
# of times things were bought or sold on credit	79	72
Social debt (Howlats and Samitis)	56,730	33,800
Financial debt (from financial institutions)	153,568	34,000
Total debt	210,298	67,8000

Yet too much debt can also become a problem in the mind of the diarists when accounting for credit coming from financial institutions. Diarist Sila is a shopkeeper who is overridden with debt. She has 5 different microfinance accounts with service providers like the Grameen Bank and was a total of 210,298 taka in debt, including both howlats and financial debt. She would borrow from one place to pay her debt in another institution, leading to a lot of stress and a cycle of debt which she could not get out of. Shohoz Shonchoy tried to help her situation by providing her with six different loans without interest worth 92,198 taka so she could clear out and cancel some of her accounts with financial institutions who charged high interest rates. This helped her in relieving some of the pressure and is now paying back periodically to Shohoz Shonchoy. Compare her situation to Shusom, the shop keeper we saw above. He has a more manageable debt of 67,800 taka. Out of this amount, almost half comes from social arrangements such as two loans which he got from his samiti (local saving's group) worth 9000 taka, one informal interest bearing loan from a friend worth 11,000 taka, and four howlats worth 13,800 taka together. The other half of his debt is financial, with three loans from Shohoz Shonchoy adding up to 34,000 taka.

Debt tends to reproduce itself quite rapidly. When somebody is not paid on time, that person might be forced to resort to a howlat or to take baki from a shop to satisfy their immediate needs. The people who give howlats are then entitled to a non-interest loan once the need arises for them as well. In this way, social debt has a rippling effect in society. These social debts help people in attaining their basic needs and thrive when expenses and earnings don't match, yet at the same time bind them by being constantly in need of a credit line. When necessity hits and one lacks the means, debt helps in providing short-term security but it also binds people to an obligation to reciprocate. Reciprocity in debt is thus both binding and liberating.

9 Conclusion and Limitations: Money in the Making of Society

The distributed livelihoods shown in this study provide a glimpse of the different forms of exchange (gifts, transfers), hierarchies (gender) and mutuality present in the daily life of the diarists. In this way, an analysis of cash flows becomes a study of the human relationships that make up society in all its modalities (Graeber 2011).

In places like Kapasia, money can be scarce. People living in poverty are thus forced to plan mostly for the short term, patching up their income from different sources in the informal economy and through their diverse social relations. People living in poverty are often in uncertainty about the near future, constantly in a hustle to smooth their consumption. The unpredictability that we see in people's lives is a function of how irregular deriving an income is and the baseline support they receive from the different types resources they have at their disposal. Faced with a lack of periodicity and predictability of incomes, people rely on their social networks and in whatever financial tool is available to them.

But poverty is not felt equally by all. This study outlined the importance of different types of resources in building or diminishing capabilities and the ways in which the rules pertaining to each type of specific resource affect women and men differently. For women, the rules that deprive them of the same opportunities as men are due to the different resources that are available to them, which are recursively determined by those same rules. These resources in turn determine the specific ways in which women can do and be different things. Relationships between people (or lack thereof) are one of the main resources available to people and have a great impact in determining the extent to which one can flourish. In this sense, we could argue that poverty can be determined by the types of social relations and the lack or abundance of them. Through financial diaries research, we can explicitly count and compare the inequalities in the distributed livelihoods of people (the politics of distribution) and how these structures are regenerated and changed.

One specific type of resource available to people living in poverty is social debt. Non-interest social debt is an important resource because it allows people to have access to horizontal, reciprocal relationships involving money which they alone do not have access to. Debt allowed Namam and Habib to engage in their respective businesses which required them to trust and be trusted by others. Yet debt can also lead to problems like patronage, stress and over-indebtedness, perpetrating poverty cycles like in the case of Sila. In the case of social debt, not paying back a debt weakens one's ties to society and might mean the losing of face and trust from neighbours and shop keepers, which hurts individual agency and hence the ability to be and do different things.

In general, people always rely on various forms of debt, saving arrangements, gifts and transfers that allow them to build their livelihood. Each type of category is bound by a different logic. Whether this logic is commercial, moral or religiously bounded depends on the specific transaction or social construct one is dealing with. Gifts given for a religious festival are different from transfers given from a son to a

mother. Non-interest-bearing loans between individuals are different from debts coming from microfinance institutions and money lenders. Some relationships are reciprocal while some are not. Similarly, some types of relationships are more coercive than others. Some relationships are more reliable than others while some might be more flexible but less reliable. Nevertheless, all of these relations imply negotiation between people and groups and therefore carry specific politics to them. Because the diarists were always engaged in giving and receiving money we were able to track and reconstruct each type of category according to their own definitions.

This social life of money tells a story about the life of each diarist. The study of the diaries is a beginning exercise to extrapolate and enhance theoretical insights on social structures in terms how processes in society work and how they influence people's ability to be and do different things.

Of course, like all studies, this is an incomplete attempt to glimpse at social reality. The focus on social structure is limited and may fall on the trap of a functionalist argument. Further, this study lacks a thorough intersectional approach involving history, race, religion, etc. Coupled with in-depth ethnographic research, financial diaries may become tools for the understanding of specific social problems and their possible solutions. Rather than medical-like treatments that assume randomization is possible in social life, this inductive approach might produce knowledge that allows for a challenging of the power structures that reproduce poverty in all its dimensions and forms.

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