# Indirect Financial Impact on the Poorest

The less visible financial impact on the poorest is often the most detrimental and persistent. The poorest households suffer more financially and for longer periods of time than any other demographic. In the Philippines, income loss following a typhoon persists for years in low-income populations, whereas higher-income populations recover fully much faster (Anttila-Hughes and Hsiang 2013). This long-term income loss also prolongs decreases in household expenditures, including on education and healthcare.

The extremely poor are also exposed to breakdowns in local social safety nets. Community-based risk sharing mechanisms are burgeoning in the developing world, with the poor increasingly able to participate in local groups that provide loans or grants to households that have been exposed to a shock. While these mechanisms perform well for idiosyncratic shocks (such as the death of a breadwinner), they often break down after a systemic shock from a natural disaster. Formal government-subsidized social safety nets may also struggle with increased demand during disasters if they lack the capacity to expand support.