

Stories from Gojo's Financial Diaries

Diarist Aswini:

Navigating a Health Crisis

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February 2025

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“My husband fell ill, and it was quite costly for us. We had to use the money we had saved to buy medicines and to continue our farming activities. In addition to our savings, our relatives also helped us out during this emergency.”

Gojo's Sri Lanka Financial Diaries research features a 43-year-old diarist from the Narammala region, Aswini (the diarist's name has been changed for privacy). She lives with her 47-year-old husband and their 13-year-old daughter. The household participated in the research project from February 2022 to February 2024.

Both the diarist and her husband have completed their secondary GCE¹ Ordinary Level education, typically completed by age 16. Their daughter is currently in middle school.

Her husband works as a sales agent and takes on seasonal jobs such as selling iron rods, old books, and tree-cutting services. The household also generates income through agricultural produce, primarily from paddy, fruits, and betel nut sales. Figure 1 below depicts their monthly income over the 2-year research period.

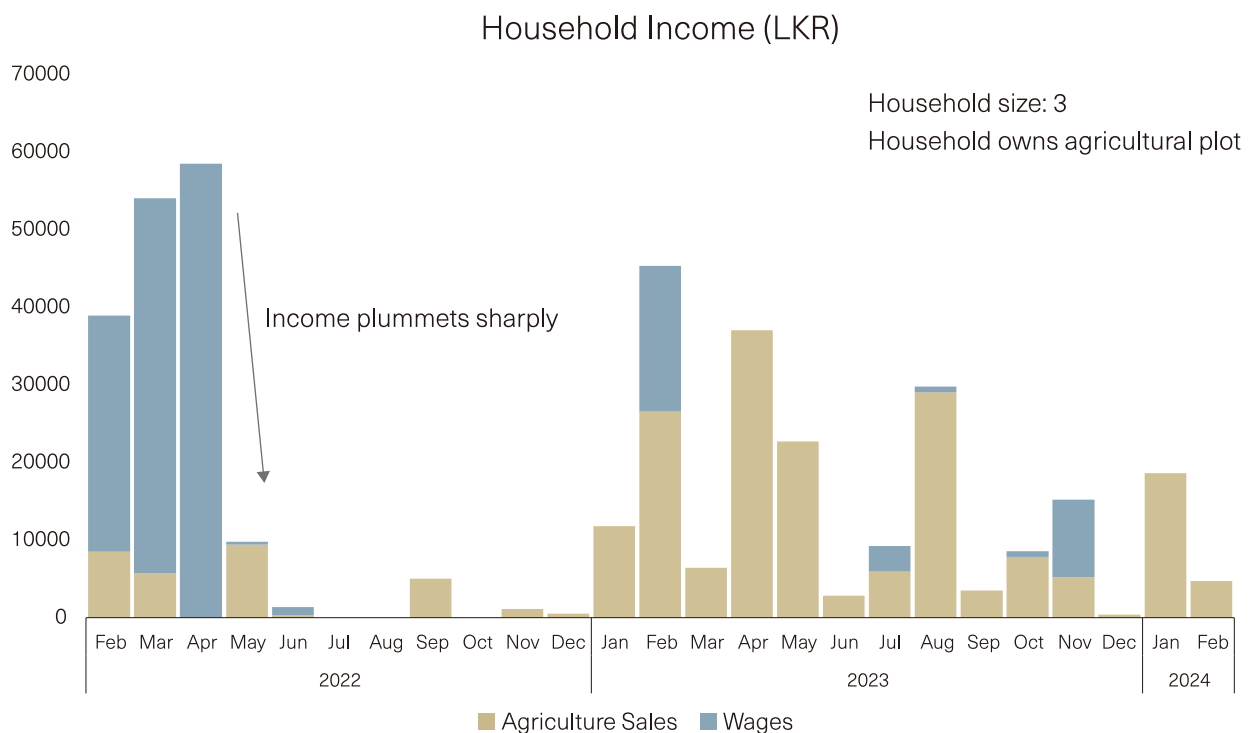


Figure 1

¹ GCE—General Certificate of Education O / L (Ordinary Level) in Sri Lanka is an academic qualification awarded to students after completing secondary education, at the end of the 10th grade, around age 16.

Financial Crisis

Figure 1 illustrates a sharp decline in the household's income beginning in May 2022. During the survey and field visits, the diarist told us that her husband fell ill and underwent heart surgery. In Sri Lanka, healthcare services, including major surgeries, are provided free through the public healthcare system. However, patients still incur expenses for medications, tests, post-surgery care, and other related costs. As a result, the diarist reports depleting their savings to cover ongoing medical expenses while also facing a loss of income.

The diarist's husband gradually resumes work in 2023, both the sales agent and seasonal jobs. After a period of income loss for about eight months, January 2023 shows a slight increase

in the household income to approximately 12,000 LKR, primarily through agricultural sales—an amount that still remains below Sri Lanka's national poverty line of 15,970 LKR² per person per month as of January 2023. However, throughout the year 2023, their income fluctuates heavily.

During the health crisis, financial support from relatives helps sustain the household. The analysis reveals the receipt of regular cash gifts from family members and occasionally from the workplace during the research period. Additionally, foreign remittances are also received from the diarist's sister through commercial bank transfers. Figure 2, shows the gifts received as blue bars and remittances as orange bars.

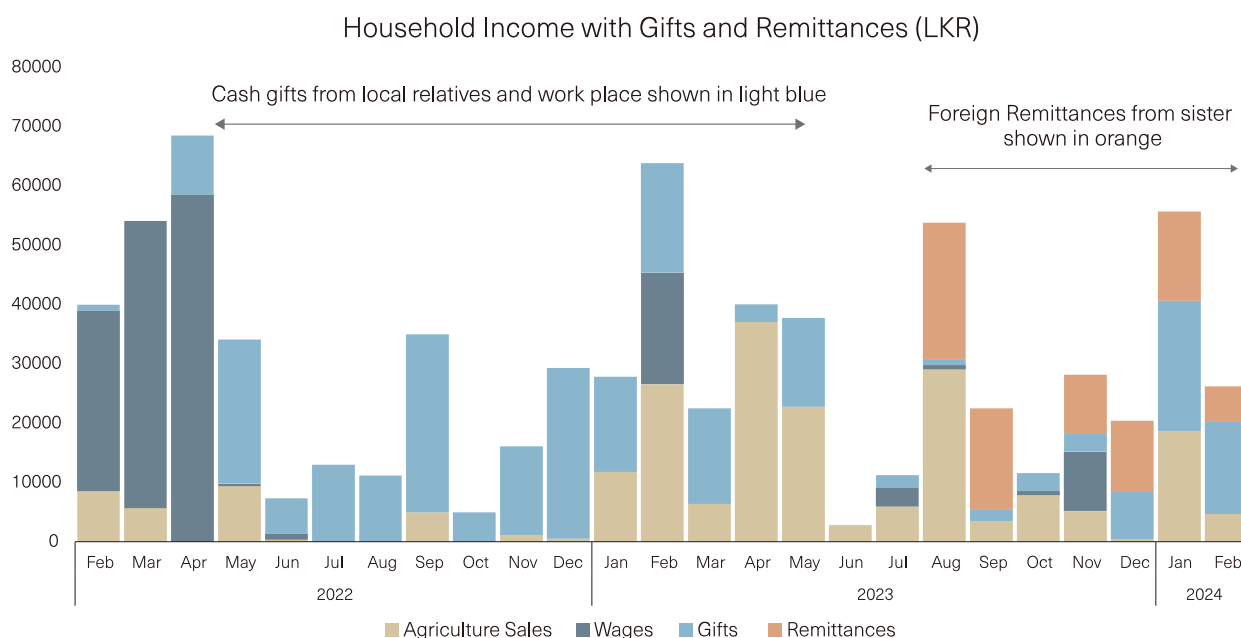


Figure 2

The household's monthly income fluctuates between 30,000 LKR and 60,000 LKR at the start of the project. During the period of health challenges and income loss, the household relies entirely on cash gifts for financial support. Earnings from agricultural sales improve in 2023. However, agricultural income and expenses remain nearly equivalent, resulting in a net agricultural income of approximately 15,600 LKR during the research period.

The household's average monthly expenditure is 45,000 LKR, excluding a significant ceremonial outlier in January 2023. In 2022, Sri Lanka experienced an economic crisis, leading to a sharp rise in food prices and essential commodities. As a result, beyond food expenses and utility bills, the household's major expenditures include education fees, agricultural purchases, and labour payments. Additionally, recurring medical expenses further strain the household's finances. Figure 3 illustrates the overall household inflows and outflows.

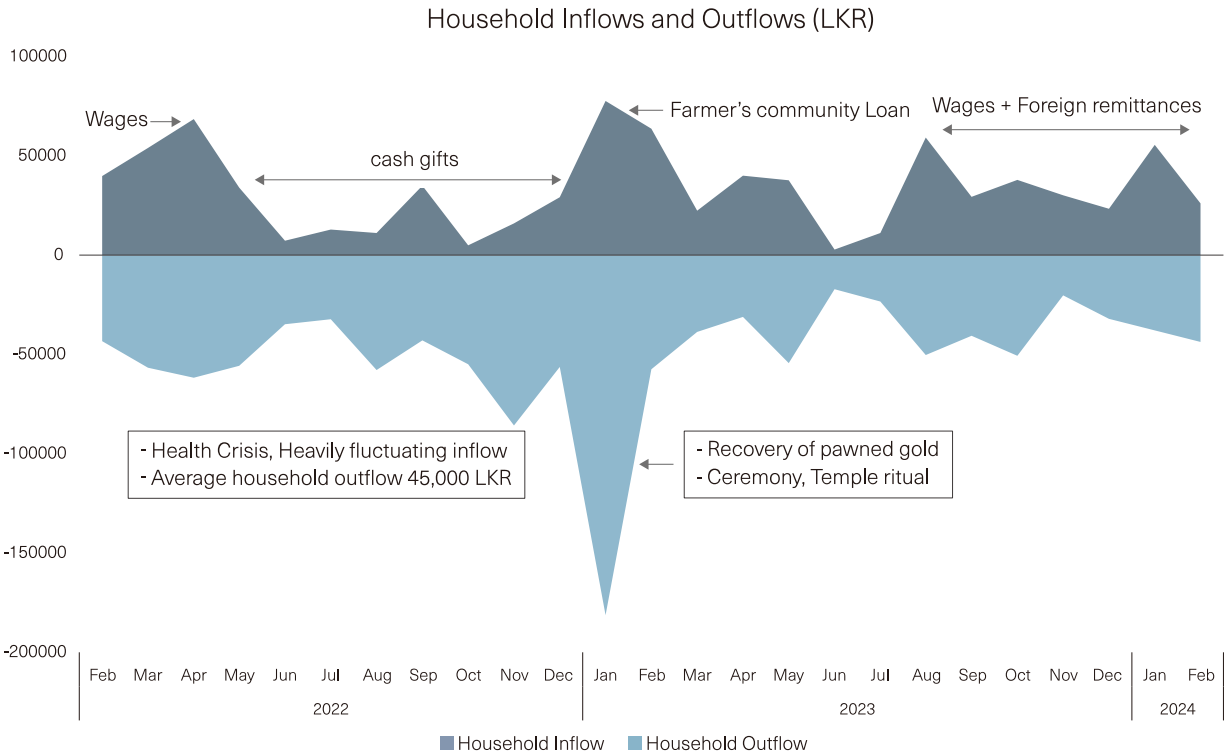


Figure 3

Loans and Repayments

The household secured a 150,000 LKR loan from the local cooperative rural bank for home renovations, with a three-year repayment term before the research period. Despite financial difficulties, they maintained consistent loan repayments. In January 2023, the household obtained a loan for 50,000 LKR from a farmer's

community to redeem pawned gold from a private bank. Additionally, the diarist holds a life insurance policy, and the household has paid monthly premiums regularly amidst household and medical needs. Figure 4 shows the existing loan, repayments and policy instalments during the research period.

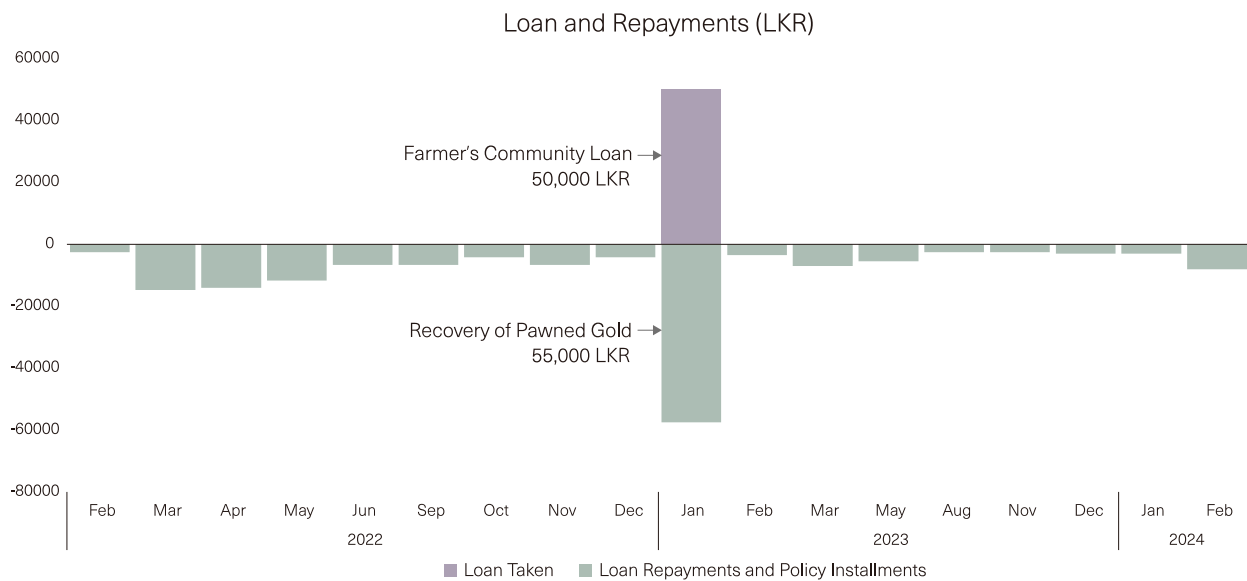


Figure 4

Savings

The household participates in ROSCA (Rotating Savings and Credit Associations), a local savings group. However, their bank transactions are very minimal, with few withdrawals observed from commercial banks during the receipt of foreign remittances. Moreover, cash-in-hand balances remain low, typically ranging from a few hundred to less than 5,000 LKR per month with few outliers. They also pay subscriptions to "Death Relief Societies" or "Funeral Societies", a prevalent rural practice in Sri Lanka. These societies provide community-based financial assistance to help alleviate the financial burden on families during bereavement.

Ceremonies

It is noteworthy that even amid a financial crisis, the household performs 'Bahirawa Puja,' a temple ritual for protection and prosperity, spending 70,000 LKR in January 2023. This significant religious expenditure underscores the deep-rooted cultural and spiritual values that shape the financial decisions of many Sri Lankan households in the research project. In some cases, such ceremonial expenses may also suggest the presence of undisclosed cash reserves, potentially sourced through gifts or borrowed funds.

Conclusion

The loss of income due to major health challenges takes time to recover to a stable level, particularly for low-income households. While agricultural earnings provide a partial financial buffer, they are insufficient to fully sustain the household. Remittances, cash gifts, and informal credit play a crucial role in stabilizing both income and expenditures, highlighting the household's reliance on informal financial sources. Additionally, limited cash-in-hand balances, ongoing loan repayments, medical expenses, and ceremonies further exacerbate the household's financial vulnerability to economic shocks.

From a microfinance perspective, encouraging households to adopt structured savings programs for health emergencies and religious ceremonies can reduce reliance on informal sources. Additionally, offering affordable micro-health insurance products that cover post-operative care and medical costs can provide crucial financial support without depleting cash-in-hand balances. Above all, raising awareness about the importance of health emergency preparedness and financial planning like balancing essential expenses with cultural commitments can help households build resilience against income shocks.