# Resilience and Resourcefulness:

## Household Realities from the Sri Lanka Financial Diaries


Mercyline Manoj
mercyline.manoj@gojo.co

Yoshinari Noguchi
yoshinari.noguchi@gojo.co



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# Acknowledgements

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# Contents

# 1. Introduction

Understanding the factors influencing the livelihoods of low-income households is essential for addressing their challenges, promoting social equity, and developing effective policies and programmes that benefit society as a whole. Financial institutions try to play a pivotal role in fostering social equity by empowering marginalised communities to start and grow businesses, improve living standards, access education and healthcare, and achieve greater independence and well-being.

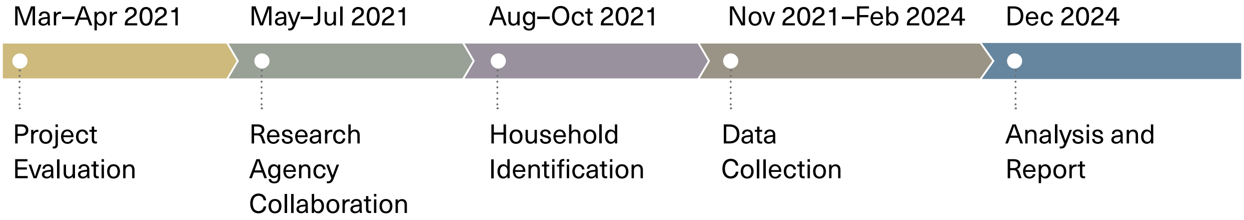
The Sri Lanka Financial Diaries, an initiative by Gojo, seeks to deepen the understanding of household financial behavior. Based on two-and-a-half years of research conducted across nine regions in Sri Lanka, the study provides valuable insights, mainly as data collection occurred during significant economic turmoil in the country.

The report offers an in-depth analysis of income sources, household expenditures, and the use of both formal and informal financial services. It evaluates the purpose and extent of financial access among households, their reliance on informal borrowing and saving mechanisms, and their resilience to nationwide economic crises and personal uncertainties. Furthermore, it examines the broader political and economic contexts and government schemes and benefits that influence household financial decisions.

The report also highlights key outcomes from maintaining Financial Diaries, including the financial disciplines developed based on respondent feedback. These findings provide insights to researchers, financial service providers, non-governmental organisations, and investors committed to advancing financial inclusion and promoting responsible finance in the region. The report incorporates visuals, testimonials, and comprehensive analyses derived from data collection, field visits, and survey results, offering a holistic view of the financial realities faced by low-income households.

# 2. Project Overview

## 2.1 Timeline




## 2.2 Region

9 regions from Northern, Southern, Western, and Central provinces


## 2.3 Methodology

The Financial Diaries is a research methodology that captures the daily cash flow of households and provides insights into their livelihood. Gojo partnered with Sparkwinn Research ("Sparkwinn"), a research agency in Sri Lanka, to identify households for the project. Respondents, or "Diarists," were randomly selected from diverse regions and sectors based on their willingness to participate. These diarists recorded all cash flow transactions in notebooks specially designed for the research. Enumerators conducted weekly visits to train the diarists in recording transactions, taking photographs of the diary entries, and discussing notable observations, such as major purchases, additional income, or new borrowings. A dedicated data entry team digitised these photographs, organising the data into clear categories, including who was involved, when the transaction occurred, what it entailed, and the amount spent. The processed data underwent review, with any discrepancies addressed through follow-up clarifications with the diarists.

The resulting analysis offers a comprehensive understanding of the complexities of household financial management, enabling researchers and stakeholders to design more effective financial interventions and support systems.

## 2.4 Challenges and Mitigation

Maintaining high-quality data in financial diaries research is vital but inherently complex. While the methodology offers rich insights into the economic behavior of low-income households, it also presents several challenges at both the data collection and digitization stages. The following sections outline the key issues encountered and strategies implemented to mitigate these errors and improve data quality.

Gojo team with Sparkwinn Research enumerators

**Data Collection**

Collecting diarist data that is complete and reliable takes time, and initially, the diarists often need guidance from the enumerators. Due to privacy concerns, diarists might hesitate to disclose sensitive financial information, such as cash in hand, savings, or remittances. Forgetfulness or reluctance to record all transactions can lead to gaps or inconsistencies in the data. Periodic disruptions due to illness, travel, or family emergencies can also lead to missed entries, resulting in incomplete data for specific periods. Furthermore, diarists frequently struggle to distinguish and categorise transactions, such as separating household and business purchases, especially among small shop owners.

**Digitisation**

Digitising handwritten diaries presents a distinct set of challenges. Diarists' unclear handwriting often leads to misinterpretation of the records. During the digitization process, analysts also identified duplicated records, typographical mistakes, transposition errors such as reversed digits or misplaced zeros, and missing values, which affected data consistency.

**Steps to improve data accuracy**

During data entry, the Gojo research team implemented validation checks for diarist IDs, dates, and categories. Then, we revised the diarists' notebook format to include ID, row number, and page number to minimize redundancies at the diarist level. Furthermore, weekly and monthly routine data audits were conducted to identify inconsistencies by cross-checking the digitised data with photographs of diary pages to verify entries. Business intelligence and data visualization tools were utilized to flag anomalies or sudden spikes. Also, regular communication with diarists helped to clarify unexpected income or expense changes and reinforce consistent recordkeeping practices. Through ongoing training, surveys, and field visits, Gojo researchers and enumerators strengthened diarists' consistency in record keeping and ensured the overall reliability of the data.

## 2.5 Demographics

Among 95 households, 72% of the diarists (household members in charge of keeping the diaries) are female. These diarists communicate with other family members and record transactions in notebooks. Additionally, 73% have completed the Secondary General Certificate of Education (GCE) Ordinary Level (typically completed by age 16), indicating a relatively high household literacy rate, likely enhancing their engagement in financial diary keeping.

Marital status data show that 92% are married, 5% are single or separated, 2% are divorced, and 1% are widowed. The age distribution is diverse, with the 31 to 40 age segment accounting for 34%, followed by the 41 to 50 segment accounting for 29% of diarists. Figure 1 below depicts the consolidated demographics of all diarists.

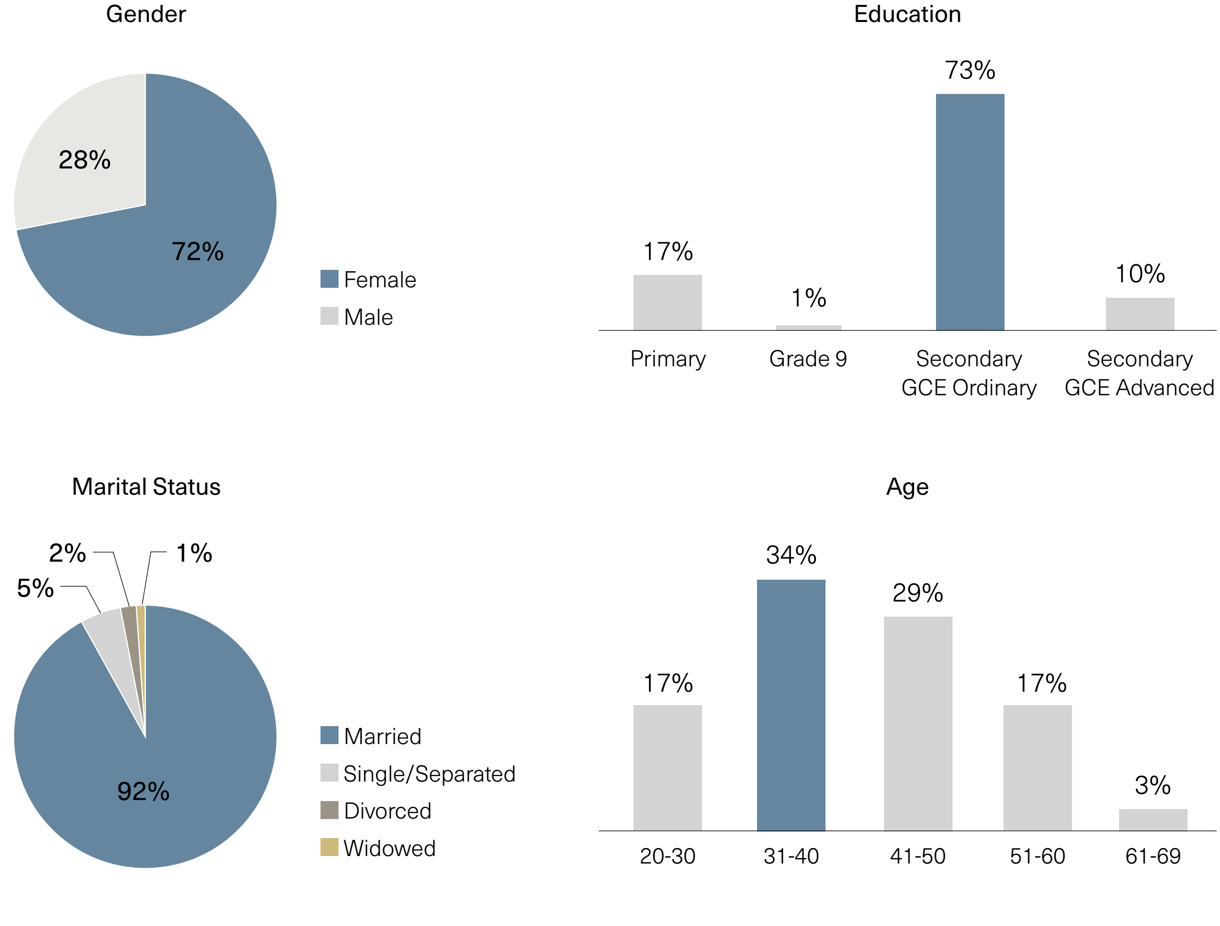



**Figure 1** Diarist Demographics

Diarist with her sewing machine through a MFI

# 3. Cash Flow Inferences

## 3.1 Overall Cash Flow

### 3.1.1 LKR Exchange Rate

Sri Lanka experienced severe macroeconomic challenges in 2021 and 2022, which directly impacted its exchange rate and led to one of the sharpest currency depreciations in the country's history. According to the Central Bank of Sri Lanka (CBSL)[1], the Sri Lankan Rupee (LKR) depreciated by approximately 44.8% against the US Dollar (USD) in 2022. The depreciation was driven by a combination of factors, including a collapse in tourism earnings due to COVID-19, foreign exchange shortages, external debt, and significant shifts in monetary policy.

At the end of 2021, the exchange rate stood at LKR 200 per USD. In March 2022, the CBSL floated the currency, allowing market forces to determine its value. The currency quickly depreciated to LKR 300 per USD and continued to weaken until it reached approximately LKR 367 per USD by December 2022.

During this period, the CBSL implemented policy reforms and entered into negotiations with the International Monetary Fund (IMF), which contributed to a degree of stabilization. However, the sharp depreciation reduced the affordability of essential goods, including food, fuel, and medicine, and disproportionately impacted low- and middle-income households.

Given the exchange rate volatility and the extent of LKR's depreciation against the USD, all monetary values in this report are presented in Sri Lankan Rupees (LKR) to ensure consistency with the lived experience of diarists during the data collection period.

### 3.1.2 Household Income and Expenditures

In the Sri Lanka Financial Diaries, diarists self-record their daily transactions, and the handwritten entries are rich in individual personality, making them unique and fascinating. However, the open-endedness of notebook entries places a burden on the team to impose

1 Annual Report 2022 | Central Bank of Sri Lanka

structure on the data. It involves organising, digitising, and categorising each transaction into appropriate groups to enable meaningful analysis.

Though there is no fixed template for categorising transactions, the research aims to develop categories that reflect the region's local culture and context. For instance, Sri Lankan households often record food-related transactions in great detail, likely reflecting a strong cultural interest in meals. The country is renowned for spice exports in the global market compared to other countries. Over the initial months of data collection, we gradually developed a hierarchy of transaction categories.

| Income | # | Amount (LKR) |
|---|---|---|
| Salary / Income | 33,742 | 81,432,284 |
| Gift / Ceremony / Charity received | 1,026 | 5,286,540 |
| Business Sales | 3,007 | 5,265,365 |
| Agriculture Sales | 879 | 2,848,562 |
| Remittances | 168 | 1,546,600 |
| Miscellaneous received | 146 | 346,890 |
| Income Total | 38,968 | 96,726,241 |

| Financial Inflows | # | Amount (LKR) |
|---|---|---|
| Loan Taken | 555 | 7,881,241 |
| Savings Withdrawal | 266 | 2,616,181 |
| ROSCA / Seettu Received | 15 | 188,700 |
| Vehicle / Machine / Land / Jewelry Sold | 10 | 169,000 |
| Loan Repayment Received | 26 | 31,960 |
| Financial Inflow Total | 870 | 10,787,082 |

| Expenses | # | Amount (LKR) |
|---|---|---|
| Food | 180,407 | 56,526,931 |
| Utility / Fuel / Transport / Travel | 17,503 | 10,711,579 |
| Personal Care | 3,614 | 3,517,050 |
| Education / Stationery | 4,754 | 3,444,718 |
| Gift / Ceremony / Charity | 1,330 | 3,305,221 |
| Home Repair / Construction | 418 | 2,767,596 |
| Medical | 3,485 | 2,307,909 |
| Business Purchases / Payments | 818 | 2,030,439 |
| Miscellaneous | 1,628 | 1,351,774 |
| Agriculture Purchases / Payments | 555 | 1,125,214 |
| Phone / Card / Recharge | 4,856 | 1,074,890 |
| Cigarette / Alcohol / Lottery | 1,136 | 564,541 |
| Furniture / Electric / Durable | 66 | 293,528 |
| Fees | 339 | 290,908 |
| Expense Total | 220,909 | 89,312,298 |

| Financial Outflows | # | Amount (LKR) |
|---|---|---|
| Loan Repayment | 2,131 | 7,021,738 |
| Savings Deposited | 5,356 | 1,854,763 |
| Vehicle / Machine / Land / Jewelry | 368 | 879,803 |
| ROSCA / Seettu Payment | 181 | 464,905 |
| Loan Given To Others | 65 | 202,760 |
| Financial Outflow Total | 8,101 | 10,423,969 |

Table 1 Overall Cash Flow

In Table 1, there are four main quadrants. One dimension categorises transactions as income or expenses, while the other determines whether they are financial. Financial transactions involve a reverse cash flow at some point in the future. For instance, a loan taken is an inflow, but it comes with the expectation of outflows in the form of repayments. Similarly, savings deposits and lending to others are outflows with future possible inflows as the withdrawal or repayment is received.

ROSCAs (Rotating Savings and Credit Associations) can be seen as loans, savings, or a combination of both, depending on the timing of the lump-sum payment. Many households treat assets such as gold or jewellery as savings, intending to pawn or sell them when necessary. Asset purchases like three-wheelers are also included, despite the difficulty in estimating their resale value at the time of sale, as households may sell assets during emergencies.

**Income**

Household income reveals that daily or weekly wage earnings are the predominant source of income, contributing roughly 80% of total household income. Each household has at least one member earning daily or weekly wages from various occupational sectors, including fishing, farming, tea plantation work, masonry, carpentry, catering, cement block making, and caregiving.

Other significant income sources include business sales, agricultural sales, and remittances. Approximately 46% of households engage in agriculture, small businesses, and daily wage labour. Small businesses generate income through grocery shops, bakeries, fabric sales, street food vending, tailoring, and livestock trading. Agricultural earnings show that certain produce, such as paddy, tea leaves, betel nut, coconut, bananas, and eggs, can yield notably high revenues. However, multiple income streams do not necessarily indicate financial sufficiency; they reflect households' adaptability to cope with fluctuating incomes.

Remittances primarily consist of money from family members employed in urban areas or overseas. In recent years, after the 2022 economic crisis, there has been an increase in young people seeking work abroad in Sri Lanka. Occasionally, households receive substantial gifts or charity from family and relatives, typically during ceremonies like weddings or funerals, and government food stamps through the Samurdhi and Aswesuma welfare programmes. While such contributions are infrequent, their value is often significant, providing temporary financial relief or aiding with major expenses. However, in some instances, categorising income becomes challenging, particularly when the lines between daily wages and business earnings blur in activities such as tea plantation work or the sale of tea leaves.

**Expenditure**

Household expenditures consistently prioritise essential living costs, such as food, utilities, and groceries, which are vital for daily life. Other significant expenses include house repairs, business purchases, and agricultural activities. Agricultural expenditures primarily comprise the purchase of fertilisers, saplings, pesticides, seeds, and livestock. Additional costs stem from renting agricultural machinery, paying for labour in the fields, purchasing livestock feed and medicine, and covering transportation expenses.

Despite primary education being free in Sri Lanka, education-related costs, such as tuition, books, and stationery expenses, are also notable. The 'Gift/Ceremony/Charity' category in expenditures, representing money given rather than received, is significant, reflecting cash flows tied to mutual assistance, social support, and the sharing of joy and sorrow.

Even during economic downturns, strong demand remains for house repairs and construction, including materials and labour. Medical expenses are also relatively high during the research period. The 'Miscellaneous' category captures transactions with unclear purposes, such as money given to a husband going to work or a child heading to school, without specifying its use.

Cultural and religious events also significantly influence spending patterns. For instance, during the April Sinhala and Tamil New Year celebrations, households spend substantially on new clothing and groceries, driven by cultural traditions.

### 3.1.3 Income Estimation (is sometimes hard)

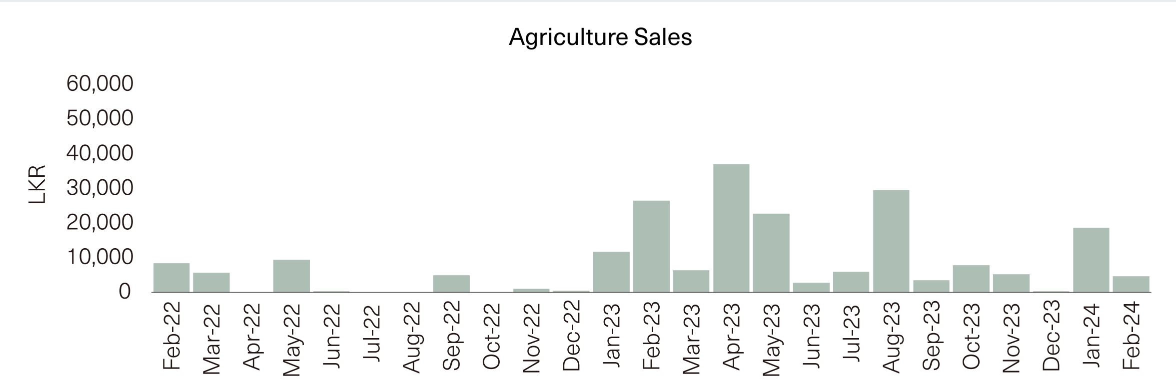
This section addresses the intricate income patterns of low-income households from diverse sources in rural areas, highlighting how challenging it is to estimate income.

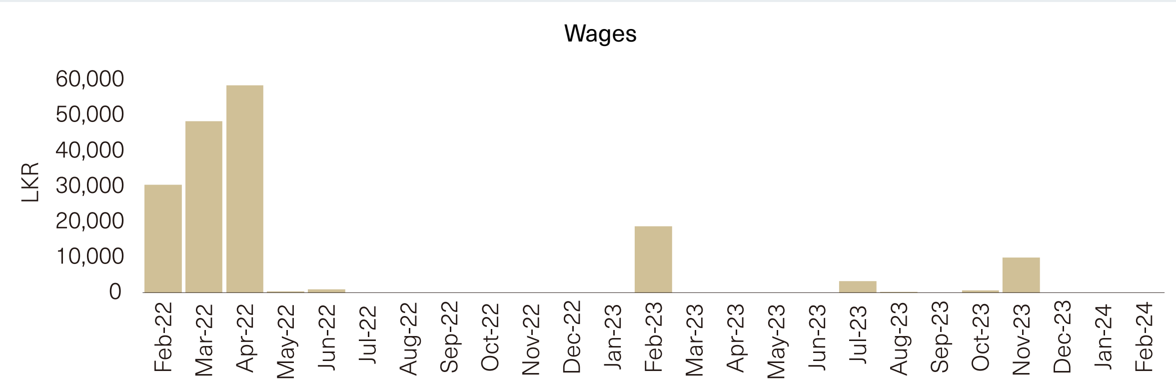
The World Bank's 'international poverty line'[2] of $2.15 per person per day is a well-known yardstick for gauging a household's poverty. The more deeply we engage with the Financial Diaries, the more we can infer the complexity of household realities behind this one simple number. Similarly, in microfinance, loans are often hailed as a way to help low-income families generate more income, with changes in income usually cited as a key impact metric. Yet again, the ground realities are not straightforward as we analyse the diarists' data.

Many of these households receive income from the husband's wages or sales revenue and other family members, often on an irregular or ad hoc basis. In many cases, they exchange money with family members, neighbors, and friends, sometimes as gifts and other times as loans. These exchanges can be highly ambiguous, with gifts turning into loans, loans turning into gifts, or instances where they prefer not to clarify their expectations. Despite the recent growth of formal financial services, traditional systems like ROSCAs still play a key role.

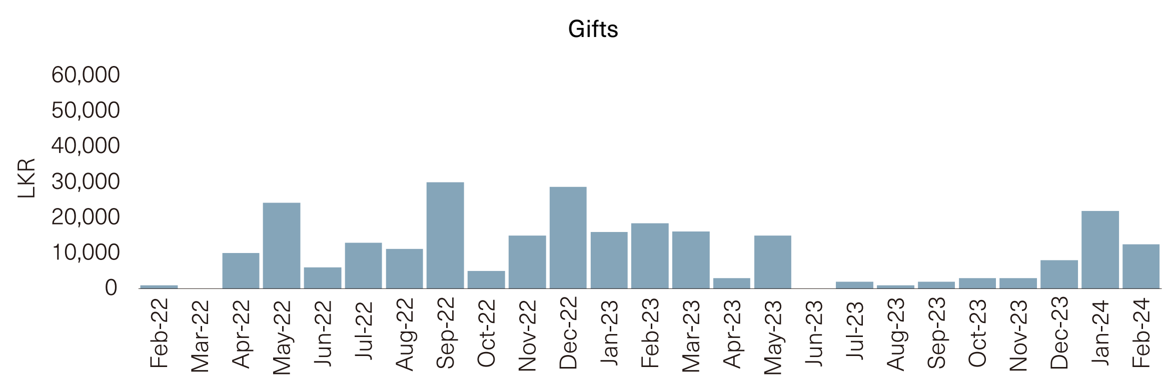
### Diarist 116 Na: Types of Cash Inflow

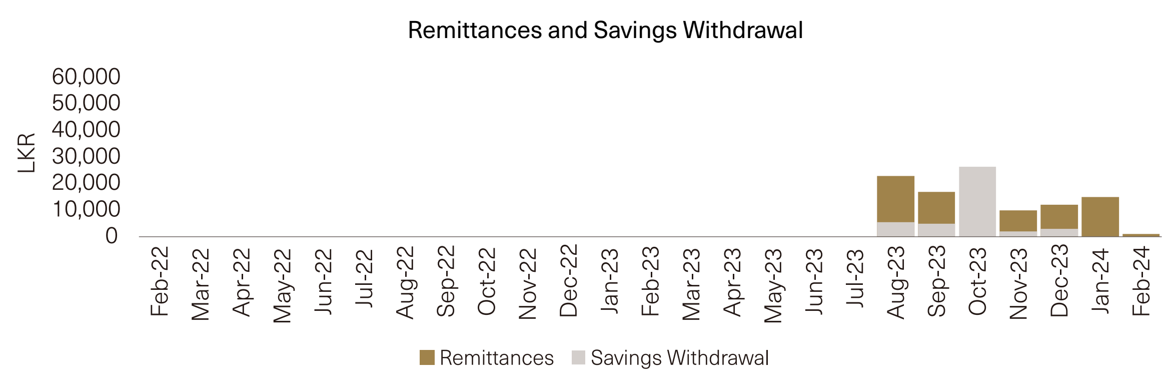
Diarist 116Na is a 43-year-old housewife living with her 47-year-old husband and 13-year-old daughter in the Narammala region. Her husband works as a sales agent. The household is also involved in agriculture, with income primarily from paddy, fruits, and nuts sales during the research period. Additionally, she receives remittances from her sister, who lives overseas. The chart below provides a general overview of the nature and frequency of these inflows, as shown in LKR.

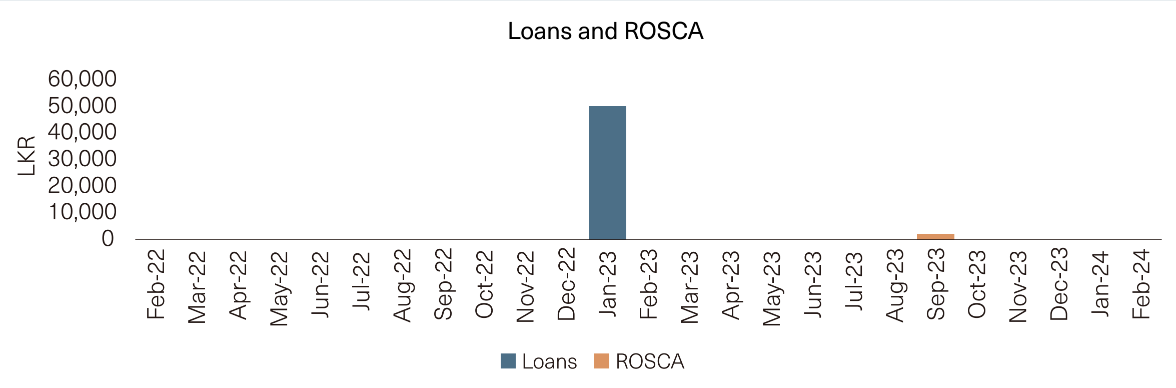



2 The new international poverty line based on 2021 PPP's is $3.00 per person per day, which replaces the previous $2.15 poverty line based on 2017 PPPs as released by World Bank, June 2025.



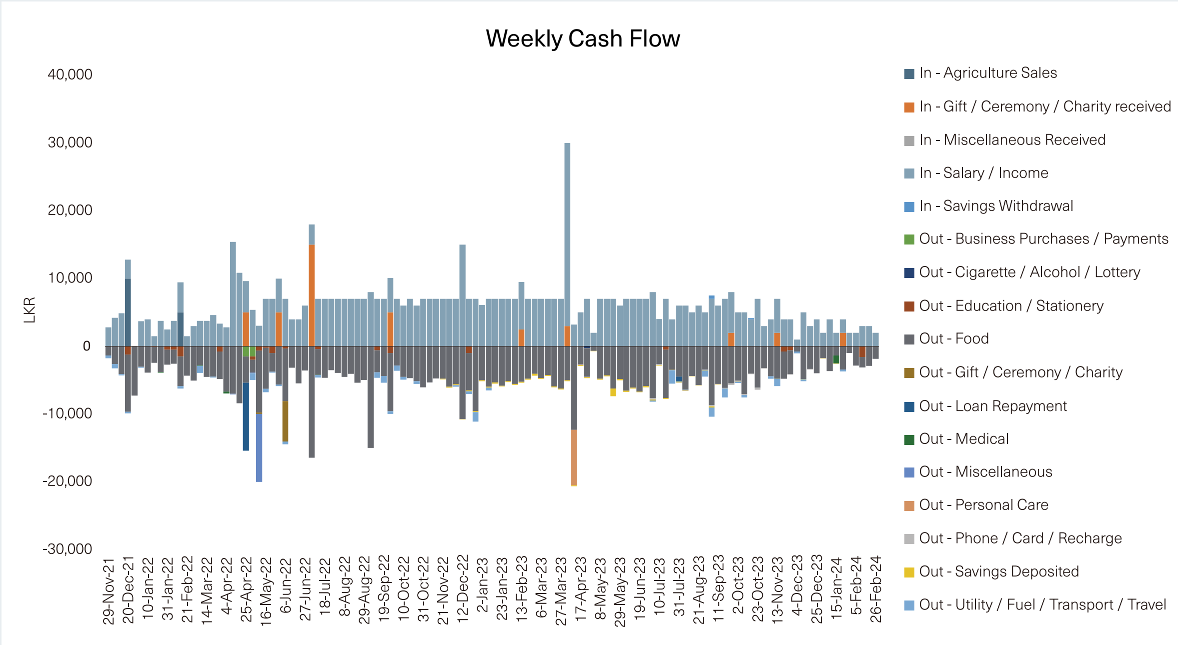




Income from agricultural sales remains minimal and seasonal. The husband's wages increase at the start of the research period but decline after May 2022 due to illness. The household frequently receives cash gifts from relatives and begins recording foreign remittances in the second half of 2023. They make savings withdrawals specifically to access the remittance funds deposited into their bank account. Additionally, they take a farmer community loan to redeem their pawned gold jewellery.

This household manages its finances by leveraging multiple inflows, some classified as income, while others, such as loans, require repayment. Certain inflows, like wages and agricultural sales, are unpredictable, while sources, like gifts and remittances, are beyond the household's control. The household navigates difficult periods by combining these financial resources and prepares for significant events, such as weddings, funerals, or emergencies.

## 3.1.4 Stably Poor in Ragala Area

On the other hand, some diarists lead very simple lives. Diarist 41Ra, a widow living in the Ragala region with her son, works as a labourer clearing weeds on a tea plantation, a common occupation in the area. Several labourer households in similar circumstances cluster together in an area that resembles a slum, surrounded by plantations. The plantation offers stable work but pays low wages, reflecting a condition of 'stable poverty'.




Diarist 41Ra

In a slightly different approach, the table below categorises the number of days this diarist received inflows based on their wage size. The diarist recorded inflows between 500 and 1,000 LKR on an overwhelming majority of days, 628 in total, with only a few days showing smaller or larger amounts. The diarist works almost daily at the designated plantation, earns a modest wage, and uses it to purchase food and groceries needed for daily life.

| Daily Inflow Range (LKR) | # of Days |
|---|---|
| 0–500 | 8 |
| 500–1,000 | 628 |
| 1,000–2,000 | 8 |
| 2,000–10,000 | 9 |
| Above 10,000 | 3 |

Neither the diarist nor their neighbours in similar circumstances take loans very often. One possible reason is that, while they live in poverty, their relatively stable income makes their near-term future more predictable.
On the other hand, they frequently used the 'savings tills' distributed by Gojo to set aside small amounts of money each day. Even when income was relatively predictable, saving small amounts remained possible.

Diarist with his repaired boat through a private lender

## 3.2 Use of Financial Services

Low-income households sporadically rely on access to credit to invest in small businesses, improve their living conditions, manage daily expenses, and respond to emergencies. The financial diaries reveal that loan providers broadly fall into institutional and informal categories. Banks, microfinance institutions, co-operatives, and licensed finance companies primarily offer institutional loans. In contrast, close relatives, private money lenders, welfare societies, workplaces, and other local entities provide informal loans.In the miscellaneous category, diarists borrow small amounts from local individuals but often do not specify the lender.

### 3.2.1 Comparison of Institutional and Informal Loans

The loan data analysis shows that households borrowed 541[3] loans. They obtained 69 of these from institutional[4] providers and 472 from informal sources. Institutional providers disbursed loans amounting to 3,287,950 LKR, which comprised 42% of the total loan value in the diaries. Informal sources contributed 4,515,364 LKR, accounting for the remaining 58%. Further segmentation highlights a significant contrast between loan sources regarding transaction frequency and loan value, as shown in Figure 2.

Financial institutions emerged as a dominant source of large-value loans in the diaries, with loan amounts reaching up to 500,000 LKR in certain cases. The next section covers institutional loans and their purposes in detail. Among informal loans, borrowing from relatives constitutes the largest share, accounting for 25% of the total loan amount through 122 transactions. Low or nil interest rates and flexible loan repayments make borrowing from family a more accessible option for many households. These loans typically range from 1,000 LKR to 50,000 LKR, with a few outliers, and are primarily used for small businesses, agriculture, and ceremonial expenses.

3 Apart from the 541 loans, there were 14 loans observed as 'shop credit' where shop keepers give groceries on credit and the amount is repaid weekly or monthly. Shop credit serves as a crucial liquidity buffer for families experiencing temporary cash shortages.

4 During the initial field visit, the researchers observed that some diarists had not recorded formal loans, as they thought the diaries were only for maintaining everyday cash flow transactions, which likely led to underreporting the number and value of institutional loans.

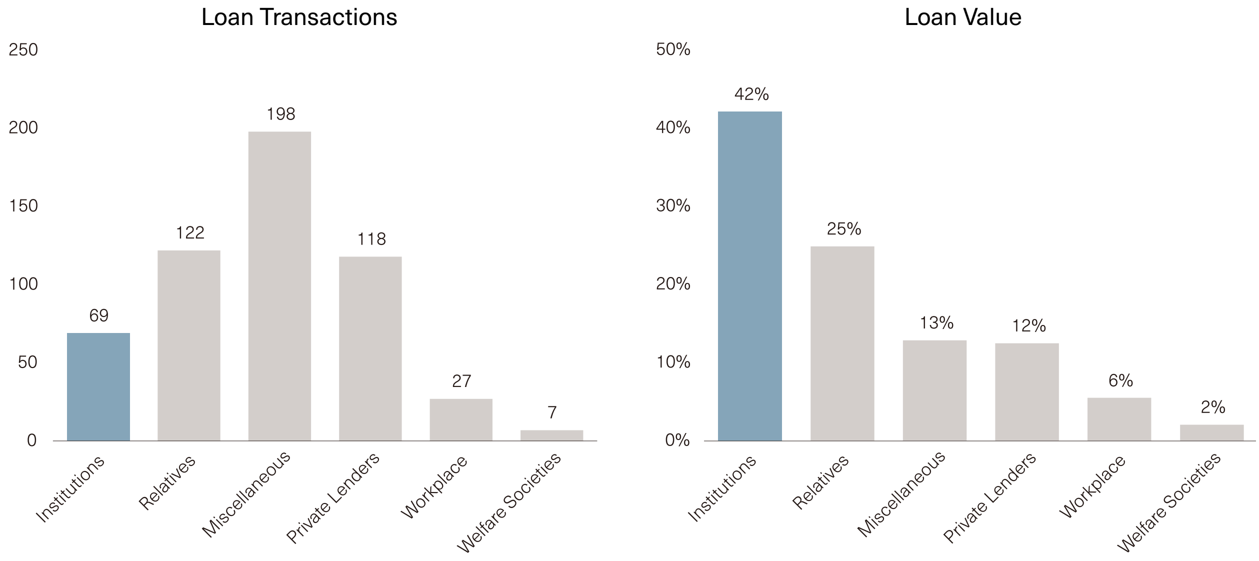



**Figure 2** Loan Sources

Miscellaneous sources and private lenders contributed to 198 and 118 transactions, respectively, yet each accounted for 13% and 12% of the total loan value in the diaries. Households used miscellaneous loans, typically small amounts, for daily consumption. Private loans tended to vary more in size and interest rates, ranging from 6% to 30%, and were used to cover equipment repairs, business material purchases, medical expenses, educational needs, and ceremonies like funerals.

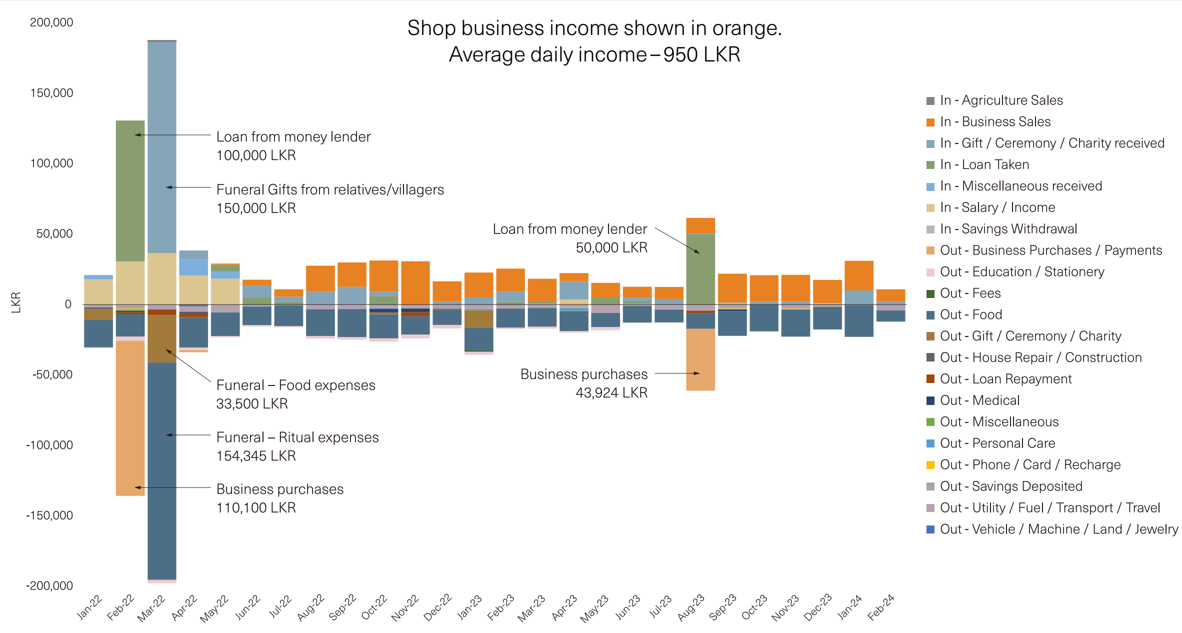
Diarists occasionally borrow from workplace and welfare societies, accounting for 6% and 2% of the total loan value respectively.

Institutions provide large loans, while private and family networks remain integral for smaller, more frequent borrowing, underscoring the reliance on formal and informal systems for low-income households.

## Balancing Livelihood: Informal Credit Fills the Gap

Diarist 99Ga, a 49-year-old from Galle, is a small business owner. She lives with her 78-year-old mother and her 15-year-old daughter. She runs a grocery shop and sells food packets and fabric pieces. On average, her daily household income is around 950 LKR, though it can reach up to 5,000 LKR on rare occasions. Additionally, she receives financial support from her siblings, which helps her manage household expenses within her means.

Her diary data highlights two significant financial activities: access to informal loans and managing funeral expenses. Over 18 months, she borrowed two substantial amounts of 100,000 LKR and 50,000 LKR from private lenders to purchase materials for her grocery shop. Additionally, her diary records nine smaller loans, each below 6,000 LKR, from relatives and private lenders. Diarist shared during the survey that she has mostly repaid these smaller loans yet finds the larger loans burdensome due to the high interest rates.




Diarist 99Ga

A significant financial setback occurred when her mother passed away, which obliged her to use up her cash-in-hand savings for the funeral expenses. However, she also received 150,000 LKR as cash gifts and charitable contributions from relatives and friends, which helped to cover the funeral costs.

Despite fluctuations in income, she prioritises her daughter's education and manages both household and business expenses. She borrows from private money lenders to fund business purchases and turns to relatives for smaller, more urgent needs. These loans helped her sustain her business, though funeral-related expenses heavily strained her finances.

Formal institutions offer structured loan products with regulated interest rates and repayment terms. However, in some instances, households choose private money lenders and close relatives for borrowing, often based on trust, personal relationships, no documentation, and flexible repayment terms. However, these sources lack regulatory oversight, which can lead to potential exploitative practices. Diarist 99Ga's case highlights the importance of raising awareness of emergency financial preparedness, accessible credit, and community assistance programs to build resilience in low-income settings.

### 3.2.2 Institutional Loans: Purpose of Funds

Unlike in one-off surveys, in financial diaries, researchers determine loan purposes through detailed analysis of each recorded transaction. They carefully track each inflow and outflow, matching amounts and dates for every financial product accessed from banks and other institutions. This method provides a more accurate and dynamic picture of how households manage and use their funds, as illustrated in Figure 3.

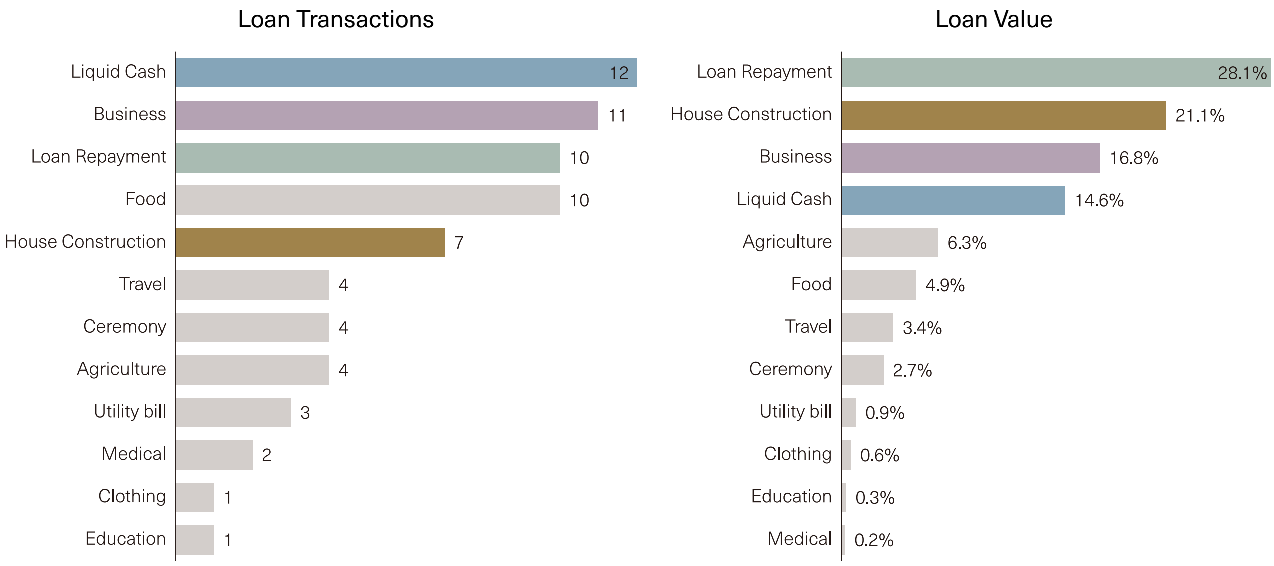



**Figure 3** Institutional Loan Purposes

Borrowers allocate the largest share of institutional loans, 28.1% of the total loan value (10 transactions) for loan repayments. They strategically manage their financial obligations across multiple service providers to maintain creditworthiness, often borrowing from one institution to repay loans from another, ensuring continued access to credit during Sri Lanka's 2022 economic crisis. For example, one diarist used a large loan for refinancing to repay smaller home construction loans from three different institutions. In several cases, borrowers used loan amounts to cover combined expenses such as education, ceremonies, and insurance premiums, showing their efforts to balance immediate household needs with long-term financial stability.

House repair and construction constituted the second-largest category, accounting for 21.1% of institutional loan value. It is worth noting that 47% of the total home construction loan amounts were sourced through gold loans from institutions, showcasing the role of gold-backed financing in these longer-term projects. A separate section below details the observations on the use of gold loans.

Business-purpose loans accounted for 16.8% of the institutional loan value, with 11 recorded transactions. Borrowers primarily used these funds to purchase equipment such as fishing nets, three-wheelers, sewing machines, shop materials and to cover equipment repairs. The loans served as capital investments and working capital to maintain operations, support business expansion, and drive growth. Notably, 64% of these loans were obtained by gold loans.

Allocations for liquid cash reserves account for the highest number of diary transactions (12) and comprise 14.6% of the institutional loan value. 37% of these funds are raised by pawning gold items through banks and finance companies. Households maintained cash reserves to meet immediate financial obligations, ensuring readiness for inflation and emergencies, especially during the economic crisis in 2022.

Agriculture loans, accounting for 6.3% of the institutional loan value, supported households with farmland by funding farm machinery purchases, seeds, agricultural plants, fertilizers, and labour charges. These loans also covered well construction and equipment rental charges, which are essential for cultivation. Such investments provided lump sum income during harvest, sustaining household needs and agricultural activities throughout the year.

In addition to these primary categories, there are allocations for essential daily living expenses, including food and groceries, ceremonial expenses such as weddings and funerals, utility bill payments, clothing, education, and medical needs. These allocations were especially significant during Sri Lanka's economic crisis in 2022, highlighting the role of institutional loans in addressing economic, social, and basic survival needs during challenging times.

Overall, the diarists' use of loan funds shows them engaging in debt management, asset building, and small business investments and highlights the importance of liquidity in risk management among households. Allocations for agriculture, food, and daily needs reflect a balanced approach to sustaining livelihoods and improving the quality of life, fostering household stability.

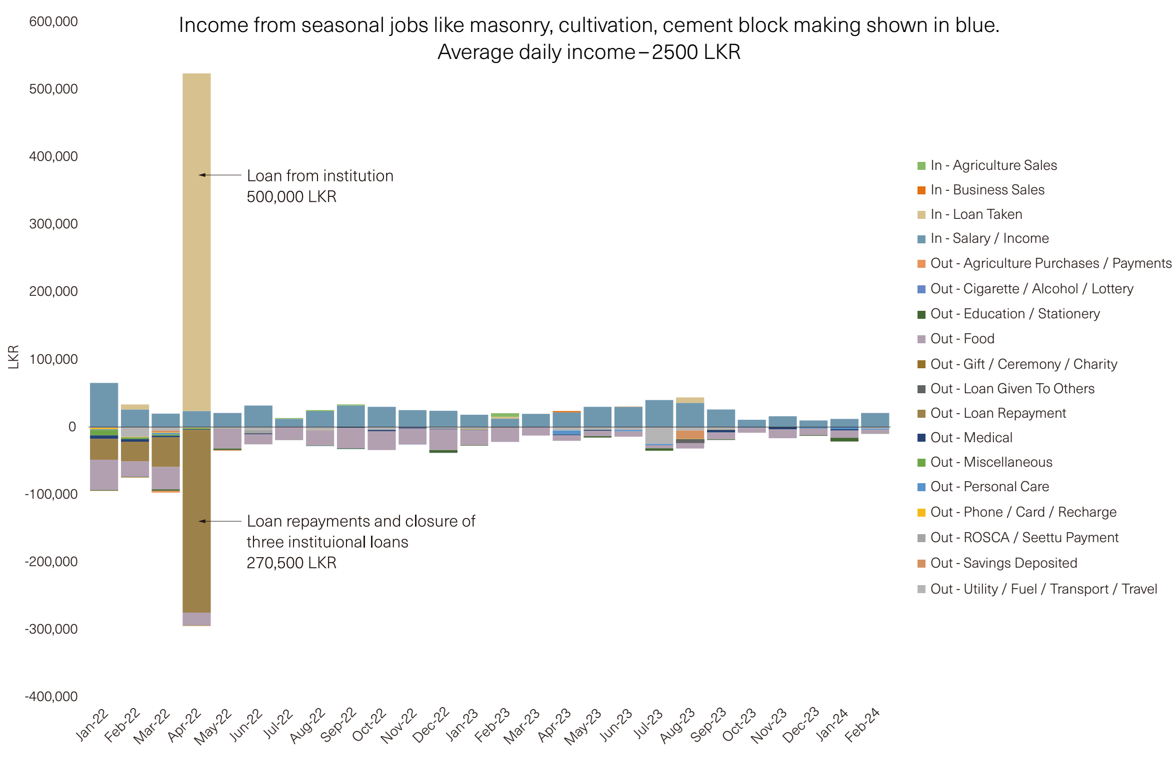
### Struggle for Stability: Loan Refinancing Through Oversized Institutional Loan

Diarist 51Mo, aged 33, lives in Monaragala with her husband and two children, aged 1 and 10. The diarist and her husband work as labourers, doing various seasonal jobs such as farming, masonry, gardening, and cement block making. They earn an average daily income of 2,500 LKR.

Before the research period, the household accessed multiple loans from different institutions for house construction. They had four loans: one from a bank and three from licensed financial institutions. The financial diaries record regular loan repayments to these institutions.

In April 2022, the household took a large loan of 500,000 LKR from their current bank to repay their three existing institutional loans in the same week for 270,500 LKR. This refinancing allowed them to consolidate their debts into a single loan repayment, reducing the number of creditors to pay.

They provide education for their children and participate in the ROSCA(Rotating Savings and Credit Association) payment system. The household's bank savings transactions are infrequent, and they prefer to keep cash in hand and savings tills at home.




Diarist 51Mo

Diarist 51Mo and her husband work multiple jobs to make ends meet. In an effort to manage their financial obligations more effectively, they refinanced their existing loans under a single institution. However, of the LKR 500,000 they borrowed, only LKR 270,000 was used to close previous debts and make repayments; they kept the remaining amount as cash on hand and used it for daily necessities. During our field visit in December 2022, the Gojo team observed that the head of the household was facing ongoing health challenges and that the house construction remained incomplete. This situation raises important questions about responsible lending practices, particularly during Sri Lanka's economic crisis, when the cost of commodities more than doubled. Additionally, oversized loans with extended tenures can lead households to pay significantly more in interest over time and bear high upfront costs, ultimately undermining their long-term financial stability. In such cases, a credit line for home construction, which allows borrowers to cover the progressive expenses of building or renovating a house, may offer a more flexible and sustainable alternative.

### 3.2.3 Gold Loans

Research data reveals that many low-income households own gold jewellery and actively use it to secure gold loans, a versatile financial tool. Diarists favour gold loans for their ease of access and ability to provide immediate liquidity. They pledge assets like necklaces, chains, and rings, common among households.

The segmentation of institutional loans shows that borrowers secured 44* out of 69 loans through gold pawning during the research period. Borrowers obtained 1,358,250 LKR in gold loans (43%) and 1,813,700 LKR in micro-loans (57%). A yearly analysis, as shown in the left chart in Figure 4, highlights a slight increase in gold-backed loans compared to microloans.

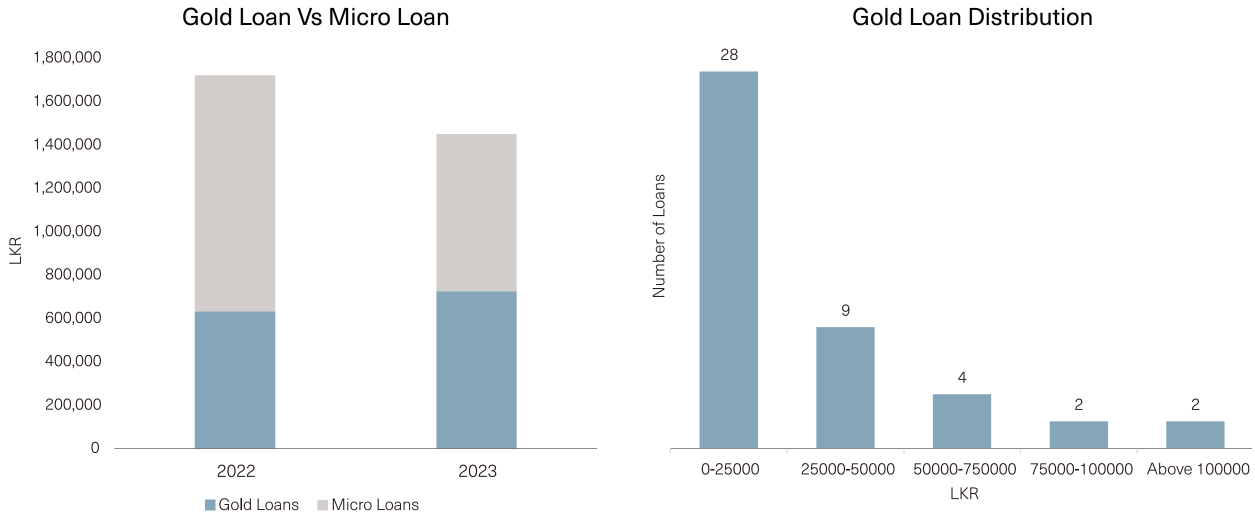



**Figure 4** Gold Loans

The chart on the right in Figure 4 illustrates the total number of gold loans accessed during the research period. The frequency distribution shows that 62% (28 gold loans) fall within the 10,000 – 25,000 LKR range, indicating a predominant reliance on small-scale, manageable credit. Notably, around 82% of the loans are below 50,000 LKR, primarily used for agriculture, business purchases, and to maintain liquidity. In contrast, loans exceeding 50,000 LKR represent 18% of the total used for house renovations and small business investments, highlighting the limited demand for larger gold-backed loans during the research period.

As shown in Figure 5, borrowers utilised a significant portion (24%) of the funds from gold loans for business purposes, with a strong demand for working capital and equipment purchases like sewing machines, fishing nets, and three-wheelers. They also used 22% of these loans for house repairs and construction and 14% for agriculture-related activities.

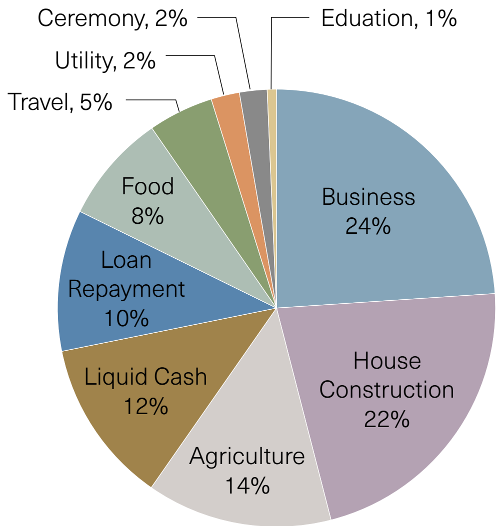



**Figure 5** Gold Loan Purpose by Value

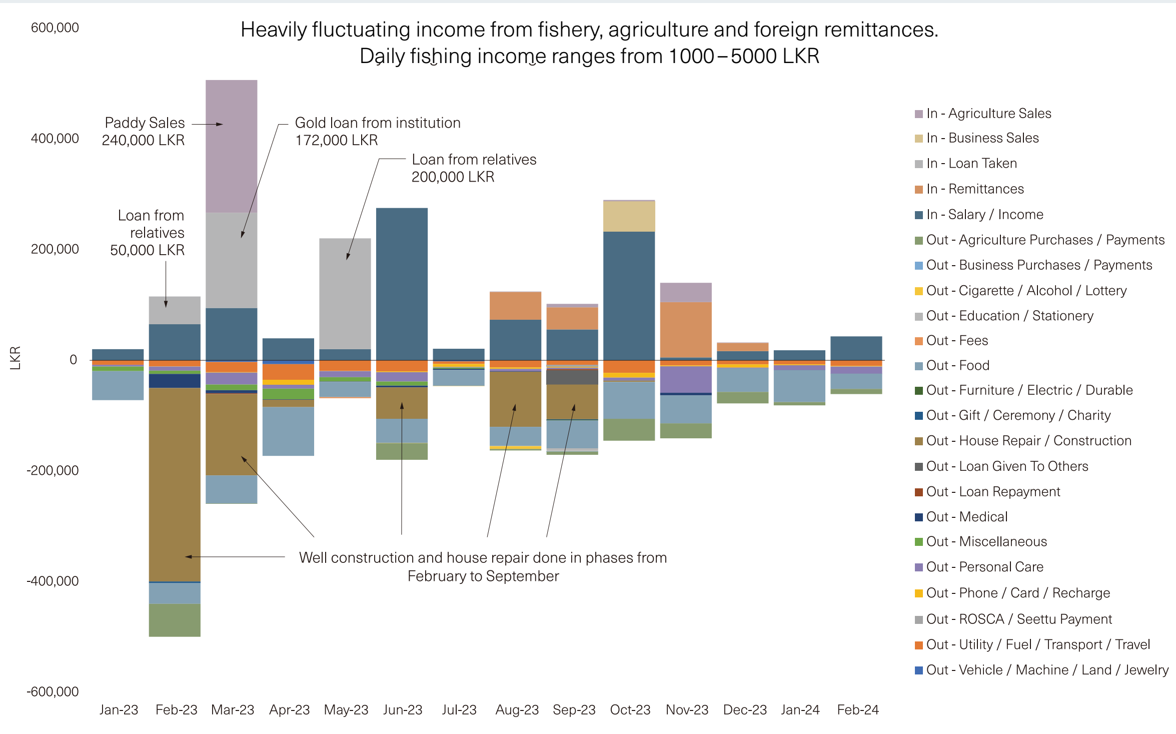
* Total Gold Loans: 45 (44- Institutions, 1- Pawn Shop)

The need for immediate liquidity is evident, with 12% directed towards this purpose and 10% contributing to existing loan repayments. Other significant consumption categories include spending on food and groceries (8%) and travel (5%). Ceremonies (2%), utility bills (2%), and education-related (1%) uses also indicate household liquidity challenges that often necessitate pawning gold assets.

Lenders lower their risk by using gold as collateral, while borrowers benefit from flexible repayment options such as part repayments enabling borrowers to pay off a portion of principal or interest based on their income. Based on the market price of the gold, purity and the weight of the gold item, borrowers receive cash while pledging gold as a collateral. Gold loans are a reliable financial product for both lenders and low-income borrowers, as the likelihood of default is low and borrowers are able to use the funds flexibly to meet their diverse financial needs.

## Strategic Borrowing: Leveraging Gold Assets and Informal Loans

Diarist 125Ch lives in Chavakachcheri with her husband and two children. One of her sons works in the Middle East. Her husband works as a fisherman, and the household owns farmland. They primarily earn income through fisheries, agriculture, poultry, and foreign remittances. They earned seasonal income from paddy sales, which they recorded only a few times during the research period, while they earned minimal income from poultry. They typically earned between 1,000 LKR and 5,000 LKR per day from fishing, with occasional higher outliers.




Diarist 125Ch

In April 2023, the household pawned two pieces of gold jewellery in a local bank for 92,000 LKR and 80,000 LKR to fund house repairs. They also borrowed 200,000 LKR from relatives to construct a well. They completed the repairs and construction in phases over a few months.

The major household expenditures during the year are construction and agricultural purchases for their farmland, apart from regular expenses such as food, clothing, and utility bills. The household prefers to keep large cash balances at home and is part of the ROSCA(Rotating Savings and Credit Association) community savings. They also received foreign remittances in the second half of 2023.

Diarist with her newly constructed well through informal and gold loans

The household demonstrates a diversified approach to cater to heavily fluctuating income through multiple income sources. They access a large pool of funds by leveraging gold loans, informal borrowing from relatives, and cash reserves for home improvements and water necessities. Informal loans, in particular, came with flexible repayment terms and quick access to funds, with low or no interest rates, reducing the overall cost of borrowing.

### 3.2.4 Savings, ROSCAs, Informal Financial Transactions

In addition to borrowing loans, households engage in other forms of financial transactions. Savings remain one of the most typical and essential tools, alongside practices such as ROSCA (Rotating Savings and Credit Association), where community members pool small amounts of money and take turns receiving the total sum. Lending money to others is also commonly observed.

| Financial Service | # of households | # of transactions | Gross transaction amounts (LKR) |
|---|---|---|---|
| Savings Deposited / Withdrawal (All) | 95 | 5,626 | 4,472,814 |
| Savings Deposited / Withdrawal (Bank) | 40 | 324 | 2,924,730 |
| ROSCA (*Seettu*) Payment / Received | 38 | 198 | 655,205 |
| Loan Given To Others / Repayment Received | 27 | 91 | 234,720 |

Table 2

Table 2 presents the number of households engaged in such transactions, the frequency of transactions, and the gross total of transaction amounts. The formal savings options households use include banks, co-operatives, and the Samurdhi (Diriya Matha) program, a government initiative that uses banks to support low-income individuals for savings. As shown in the second row of the table, only 40 households, representing less than half of all diarists, participated in these formal savings options. Although Sri Lanka generally expects all citizens to hold a bank account, many rural households face inconveniences accessing ATMs or bank branches due to the distance from their homes.

On the other hand, when we combine these banks and similar entities, as well as other forms of savings-like behavior (first row of the table), we find that all 95 diarists are engaging in some form of saving. These forms include storing money with local communities or societies, pension programs, or even entrusting money to other family members. In addition, more casual, frequent savings include keeping money in hidden spots at home or storing it in savings tills, which have significantly increased the number of transactions.

ROSCA, known locally as *seettu*, stands out as one of the most popular savings and loan hybrid mechanisms, almost as common as bank deposits. In *seettu*, familiar community members regularly gather, each contributing a pre-agreed small amount of money, and one member receives the total sum either by drawing lots or through rotation. Diarists recorded *seettu* groups across all nine regions studied, and every diarist was familiar with the practice. However, participation varied; some diarists chose not to join because they 'didn't like it' or 'didn't have the money for it.' In some cases, participants did not receive the total amount in cash but instead received goods, revealing that specific programs operated more like installment purchase schemes involving vendors.

Diarist with new cooking utensils through equipment *Seettu*

We also observed that some households lent money during the research period. Typically, they lend to family members, relatives, friends, or neighbours. A total of 27 households engaged in such transactions, which is not insignificant. Although the research project primarily selected low-income families, they sometimes acted as lenders, not just borrowers, extending credit within their social networks. These lending and borrowing practices appeared across all regions.

However, unlike bank or MFI loans, repayment terms remained extremely flexible, and formal agreements to repay a set amount each month were extremely rare. Sometimes, the distinction between lending and gifting blurred, as lenders often remained unsure of the repayment or were reluctant to lean too heavily on friends and relatives to repay. Consequently, the frequency of these transactions stayed relatively low.

### 3.2.5. Savings Tills Initiative

Wathegama and Narammala diarists with their savings tills

From the outset of the Sri Lanka Financial Diaries, we planned to experiment with the distribution of savings tills. While microloans are certainly in demand and can often help households manage their finances, they come with the constraint that inflows occur first and outflows as repayments follow later. Moreover, repayments are typically inflexible, requiring a fixed monthly amount, which can further challenge household budgeting.

However, providing savings services presents notable challenges for microfinance institutions. Accepting deposits requires a high level of trust and financial accountability, and without proper oversight, there is a risk of mismanagement or misuse of funds. To protect savers and maintain the integrity of the financial system, regulatory authorities around the world have put in place strict licensing and compliance requirements for institutions that accept public deposits.

Thus, we devised the idea of distributing savings tills, giving diarists another option to manage their money. Savings tills are common in the country, with certain banks offering as a gift scheme when a household opens a child's account. Several households own a clay till that needs to be broken to take savings out or a plastic till that must be cut open. So, in November 2022, we began distributing locally manufactured wooden and clay savings tills, which were locally purchased. The wooden tills are shaped like houses with doors and locks, allowing people to store and retrieve money. When given the choice, all diarists preferred the box with a door and lock.

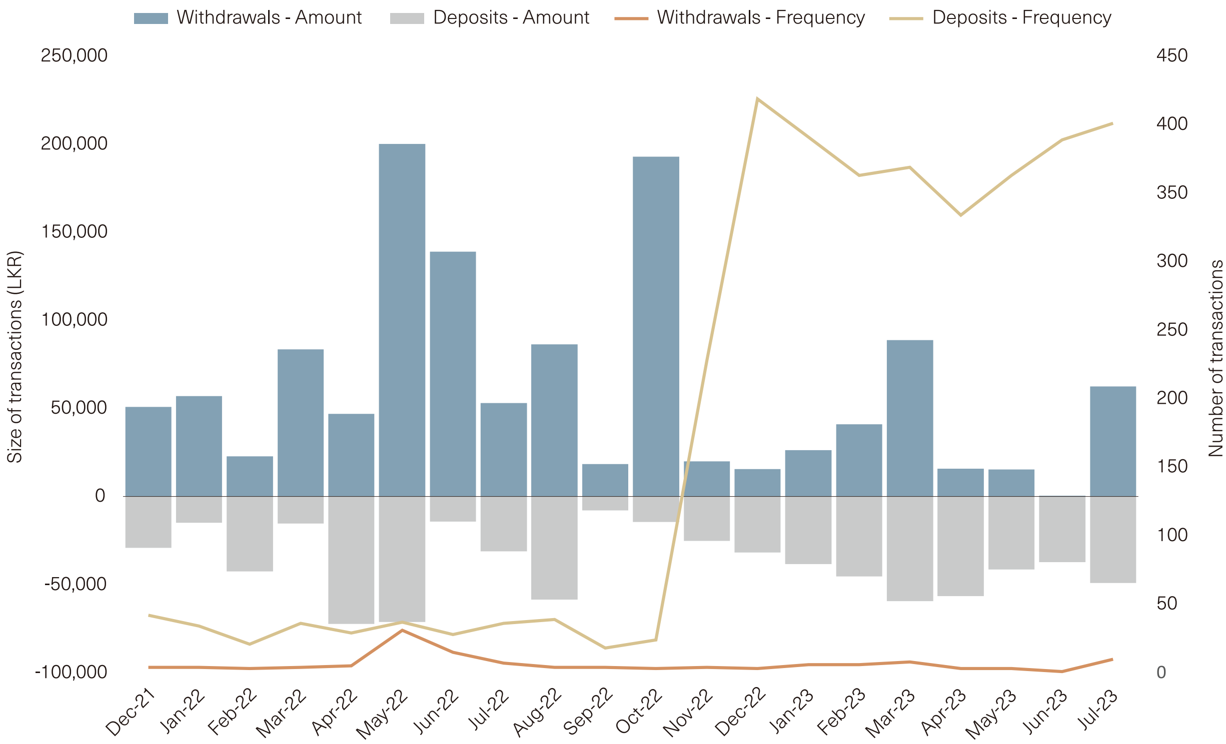



**Figure 6** Savings

Figure 6 plots the amount and frequency of all savings transactions, including inflows and outflows to banks and savings tills, over 20 months starting from December 2021. The upward bars represent inflows (cash on hand increases) from withdrawals from banks or tills. The downward bars represent outflows (cash on hand decreases) as deposits into banks or tills. The line chart shows the number of inflow and outflow transactions. After the distribution of savings tills in November 2022, the frequency of deposits rose sharply. By December 2022, the total number of deposit transactions exceeded 400 for all diarists combined, meaning that, on average, one deposit per household once a week, a trend that surprised even us. Many diarists embraced this new yet old tool for managing their money.

However, though the deposit frequency increased, looking at the bar graphs, the increase in the deposit amount is not as evident. While most Sri Lankans have bank accounts, the distance to branches or ATMs in rural areas makes regular use less common. That said, in 2022, amidst the economic crisis, there are relatively large movements in deposits and withdrawals, driven primarily by exchanges of funds with distant family members, often abroad. However, the deposit transactions into savings tills, which increased drastically in frequency after November, did not reach amounts comparable to these larger transactions.

Nevertheless, during our visits for interviews, several diarists eagerly shared how much they liked the savings tills we had distributed. In one case, the tills were used to prepare for regular monthly payments, such as loan repayments or rent. In other cases, families used a till for each child, depositing money with hopes for their future. Some families spoke of the comfort they felt from developing the habit of saving, even if the amounts were small. Others mentioned that daily discussions about saving had increased everyone's awareness of household money management.

Diarist with her spouse in her tea shop

## 4. Impact of Economic Crisis, 2022

After Sri Lanka's foreign exchange reserves were depleted following the COVID-19 pandemic, the Sri Lankan rupee began depreciating rapidly in 2022. By April, the government effectively defaulted, plunging the country into an economic crisis. The fuel shortage caused prolonged power outages across the country, led to long queues at gas stations, and triggered inflation due to the rising prices of imported goods. As a result, people's livelihoods suffered severely.

The research team began collecting data in November 2021, coinciding with the onset of the economic crisis. The lengthy power outages and restrictions on vehicle use posed significant challenges to the project's progress. From June 2022, we implemented a monthly survey to supplement our understanding of the specific impacts of the economic crisis on diarists' daily lives. What the diarists told us in that survey about their difficulties during the crisis helped us to identify the following trends in the diary data.

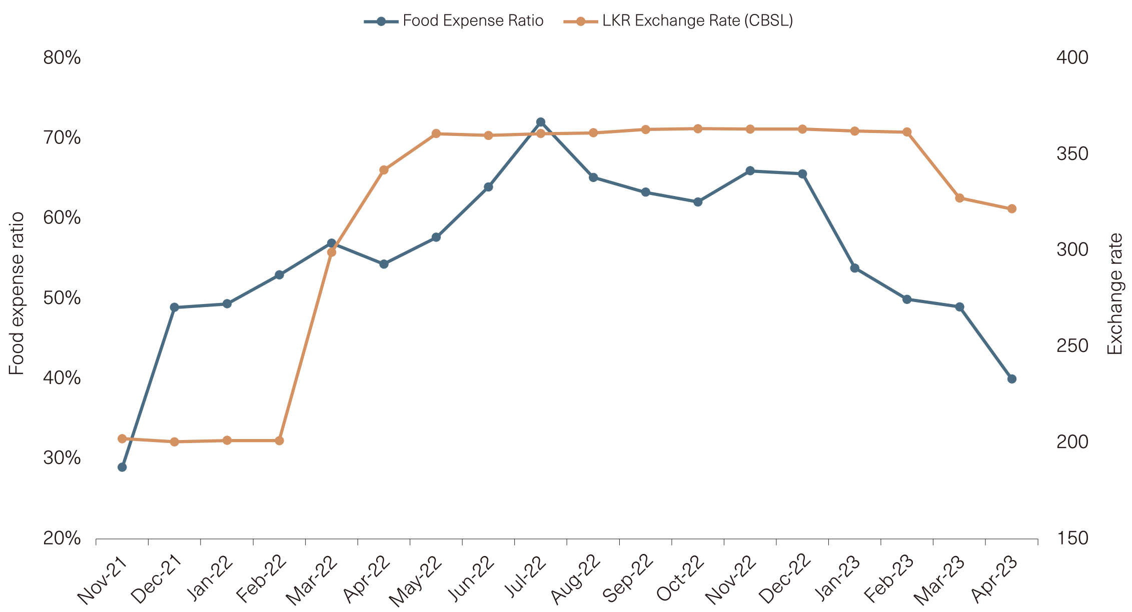



Figure 7  Food Expense Ratio

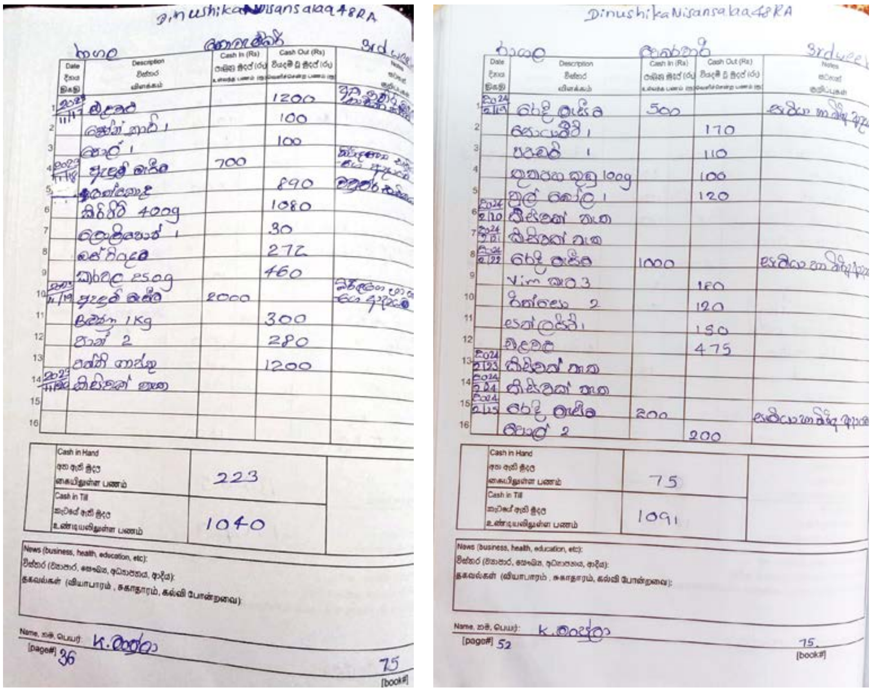
Figure 7 plots the proportion of food expenses relative to total expenditures from the start of the project until April 2023, when the economy began to show signs of stabilization. As prices soared rapidly and livelihood concerns grew, diarists quickly cut down on non-essential spending. Sometimes, they stopped paying the soaring electricity bills and let them pile up on their desks. As a result, the proportion of food expenses, which had hovered around 30–40%, surged to as high as 70% at one point.

This shift in behavior preceded fluctuations in the exchange rate, which the government struggled to control. People sensed the impending economic crisis even without fully grasping the broader situation and took defensive actions to protect their immediate livelihoods. Naturally, they found it neither easy nor sustainable to restrict their spending only to food expenses. Although high prices persisted from the latter half of 2022 through the first half of 2023, people continued to spend on other necessities. Whether these adjustments represent "normalization" remains unclear, but people adapted and survived the immediate reality before the official exchange rate movements reflected the crisis.


**Figure 8** Gifts, Remittances and Savings Withdrawals

Figure 8 tracks the number of transactions related to gift receipts, remittances, and withdrawals over the same period. There is a noticeable increase in the months with a high number of gift receipts over time, indicating a growing reliance on external support as household budgets become increasingly strained amid rising prices. Unlike the proportion of food expenses, there is no "normalization" here, which is natural given that prices had not returned to previous levels. The number of remittances gradually increased, and during the crisis, there were noticeable cases of young people leaving Sri Lanka to work abroad, a trend also observed in the diaries.

In the Financial Diaries research, diarists primarily record two elements in their notebook entries: the item name and the price. We do not always ask diarists to note the quantity. For example, we record how much diarists spend on purchasing rice on a given day. Still, we do not necessarily record the amount of rice purchased nor its variety or quality.




Diarist 48Ra Financial Diary page

Some diarists do include such detailed information, as shown in the photograph. We incorporate quantity information into our database whenever diarists provide it. However, we faced several challenges: some diarists recorded this level of detail while others did not; even the same diarist sometimes included such details inconsistently; and often, they omitted important information like item type or quality, which we needed to calculate unit prices accurately. Because of these issues, we abandoned the attempt to reconstruct a price index in this study.

## 5. Samurdhi and Aswesuma Government Benefits

The Samurdhi Program in Sri Lanka is a government initiative focused on poverty alleviation and social welfare. Our research records reveal 27 households from the Narammala, Wathegama, Moneragala, Pelmadulla, and Galle regions being beneficiaries of the program. The diary data shows that the Samurdhi welfare scheme facilitated various activities to address the diverse needs of its beneficiaries, such as providing food stamps, offering bank loans, and distributing essential groceries like rice. Of the 27 households, 19 are actively repaying loans, primarily taken for house construction and repairs. Beyond financial assistance, the Samurdhi Program promoted non-financial benefits to improve community welfare. Beneficiaries had access to the Samurdhi co-operative shops to purchase essential goods.

In July 2023, the Sri Lankan government replaced the Samurdhi welfare scheme with the new Aswesuma Social Benefit Scheme, resulting in a significant shift in beneficiary coverage. This transition reduced the number of welfare-receiving households in our research to just nine, across locations such as Narammala, Wathegama, Moneragala, Pelmadulla, and Galle. Few households that previously received support under the Samurdhi scheme, particularly those with members working abroad or receiving foreign remittances, were excluded from Aswesuma eligibility. At the same time, a few new households were added to the beneficiary list under the revised criteria.

The Financial Diaries data offers visibility into the government aid through cash allowances, the distribution of essential commodities and access to basic financial services. This transition also highlights how shifts in policy can reshape the landscape of welfare access.

## 6. Significant Events and Livelihood Changes

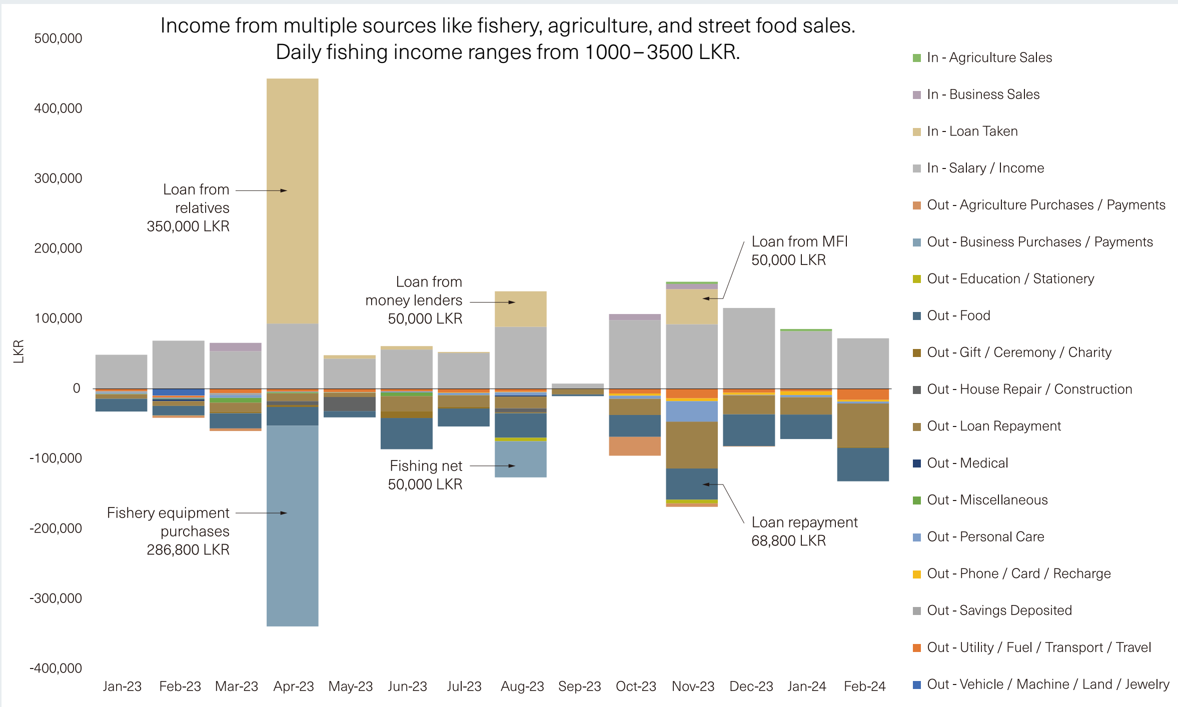
Here, we highlight the household stories that showcase access to financial services and their notable outcomes. These include investments in small businesses, house upgrades, agricultural activities, and ceremonial expenses, illustrating the diverse ways financial services impact livelihoods.

### 6.1 Business Investments

Small business investments enable households to diversify their income sources, reducing dependence on wages and seasonal farming. For example, fishery, street food vending, tailoring, running a grocery shop, or a bakery create considerable cash flow for the households based on the diary data. It provides sustainability, resilience, and better control over their finances.

#### Navigating Challenges: Business Expansion and Resilience

Diarist127Ch lives with his wife and daughter in Chavakachcheri. He is the main breadwinner of the household. His primary source of income is fishing, with a daily income ranging from 1,000 to 3,500 LKR. He also earns seasonal income from paddy sales. Additionally, the household generates business income from street food ('Hoppers') sales, and the diarist occasionally takes on pest control work for additional earnings.




Diarist 127Ch

In April 2023, he borrowed a significant sum of 350,000 LKR from relatives to purchase various fishing nets, materials, and equipment for fishery business expansion. The data reveal that throughout the project, he secured loans from private money lenders and a microfinance institution to finance the purchase of fishing nets and loan repayments, respectively. Similar to other fishermen in the project, he required funds every 3 to 4 months to replace or repair fishing nets so as to continue earning a living.


Diarist uses both formal and informal loans for fishery expansion

The diarist is meticulous about his loan repayments and records every cash flow in his diary. He adopts a flexible approach to repay his loans based on his daily income. He repays 800 LKR daily for informal loans and 5000 LKR monthly for microfinance loans.

The diarist faced significant challenges, including a temporary halt to his fishing activities due to Sri Lanka's acute fuel shortage, compounded by the personal loss of his father during the September and October 2023. Despite these financial and emotional setbacks, he sustained his household expenses through street food sales and support from close relatives. His perseverance and resilience in the face of uncertainty are especially commendable, as he continued to meet his loan repayment obligations without fail. His decision to invest in expanding his fishery led to a modest increase in income, which he primarily directed toward strengthening his repayment capacity. This stands out as one of the most determined and impactful efforts observed among all diarists in the research project.

## 6.2 House Construction

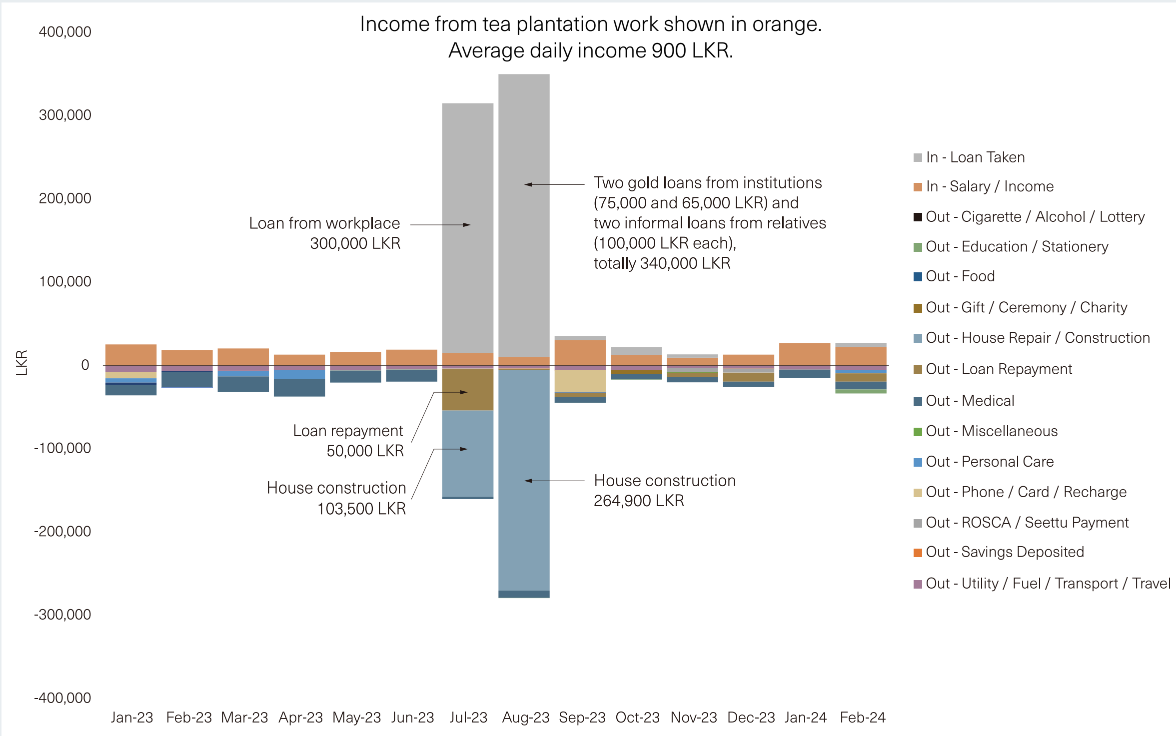
Financial services accessed for house repairs and construction represent the second-largest category among institutional loans. Examples from the diaries include constructing kitchens, toilets, and additional rooms, replacing mud floors with tiled ones, repairing roofs, doors, and wall leaks, repainting houses, and installing pipeline connections. Upgraded house facilities enhance safety and sanitation, improving overall living standards.

## House Construction: Coping with Climate Risk and Personal Loss

Diarist 63Pe is a widow living in Pelmadulla with her two daughters. She works as a tea estate labourer, earning an average daily wage of LKR 900. During the research period, she endured a series of devastating events: her husband died in early 2023, and shortly afterward, a landslide destroyed her home. As a result, she relocated with her children to a small hut shared with her mother-in-law. The family receives limited support from the Aswesuma social welfare scheme, which provides their only supplementary income beyond her wages.

Despite this assistance, the household remains extremely vulnerable and frequently struggles to meet basic living expenses.

During a field visit, the diarist shared that she relied on her *seettu* payments, a local ROSCA (Rotating Savings and Credit Association) involving 45 members, each contributing around LKR 2,000, to cover the costs of her husband's final rites.




Diarist 63Pe

In July 2023, she obtained a loan of LKR 300,000 from her tea estate employer to lay the foundation for rebuilding her home and to repay outstanding debts related to her husband's funeral. In August, she secured two gold-backed loans totaling LKR 140,000 by pledging gold items. She borrowed an additional LKR 200,000 from her grandmother, who provided the loan interest-free with flexible repayment terms. She used the funds to purchase construction materials and pay for labour. Her tea estate employer deducts repayments for the loan directly from her wages.

Diarist 63Pe's story reflects the compounded vulnerabilities faced by low-income women in times of personal and environmental crisis. The destruction of her home due to a landslide disrupted her already fragile livelihood. Her case illustrates the importance of informal and formal financial tools such as employer loan, ROSCA, gold-backed credit, and family support as essential safety nets. Moreover, her experience highlights the need for climate risk adaptation and access to appropriate financial services to help vulnerable families build resilience in times of crisis.

### 6.3 Ceremonies

In Sri Lankan communities, people commonly give cash gifts for ceremonies as a gesture of support. Financial diary data reveal that households received funds from close relatives and villagers for various events such as weddings, funerals, almsgiving, charity, and community support. The analysis shows that approximately 24% of households received gifts exceeding 50,000 LKR during the research period.

**Funerals**

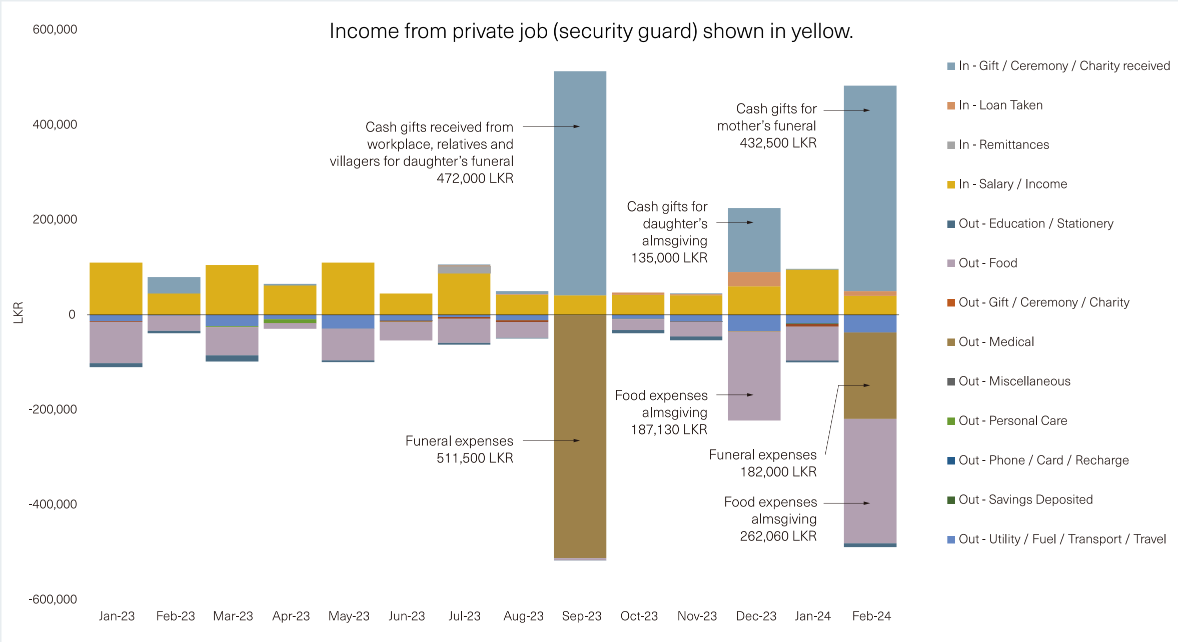
A significant portion of the cash gifts received is for funeral expenses. Given their cultural and religious importance, these gifts provide financial support to households who struggle to manage the costs associated with funeral rites. These ceremonies involve elaborate rituals, offerings, and gatherings, such as almsgiving, payments for monks or priests, and provision of food for visitors.

Funeral ceremonies can profoundly impact the financial stability of low-income households, with some families spending an entire year's income in a single day on rituals and associated expenses. Consequently, households save through "Funeral Societies" or "Death Relief Societies" to manage the financial burden. Members pay subscriptions regularly, either monthly or annually. These societies help in providing financial support, and in certain cases arrange logistics for food, transport, music and religious chanting. These societies are more common in rural areas and provide a financial safety net during loss.

### Navigating Cultural Expectations: The Financial Burden of Funerals

Diarist 62Pe, a 45-year-old from Pelmadulla, lives with her husband, five children, and her ailing mother. Out of the five, three children are disabled. Her husband is a security guard and earns an average monthly income of 60,000 LKR, and the diarist regularly receives additional financial support from close relatives to manage household expenses.

The diarist balances daily caregiving responsibilities and recurring health needs with financial limitations. Her three children and her ailing mother all of whom require daily medication and regular doctor visits. However, constrained by limited income, she can only afford to take her children to a hospital in Colombo once every three months. One of her daughters, who uses a wheelchair, struggles with mobility inside their small home, prompting the family's desire to expand their living space to accommodate her needs.




Diaris 62Pe

In the latter half of 2023, the family endured losses that brought immense financial pressure. In September, the diarist lost her daughter. To manage the funeral expenses, which totaled approximately LKR 511,000, the family relied heavily on contributions of LKR 472,000 from her husband's workplace and relatives. Three months later, in December, they organized an almsgiving ceremony in memory of their late daughter, a customary ritual that required another substantial financial outlay.

In February 2024, sorrow struck again with the passing of the diarist's mother. The household once again leaned on the generosity of their community, receiving LKR 432,500 from relatives and neighbors to cover the funeral costs, including expenses for the coffin, food, religious observances, and related arrangements.

Diarist 62Pe livelihood highlights how the combination of caregiving responsibilities, ongoing medical needs, and heavy funeral expenditures can push low-income families into deeper psychological and economic hardship. In rural communities, funerals carry strong cultural expectations. Families feel obligated to conduct proper ceremonies to honor the deceased, including providing meals for attendees, hiring monks, and covering burial or cremation costs. Failing to meet these expectations can lead to social stigma. As a result, many households prioritise funeral expenses over other financial needs. Families sometimes borrow large sums from relatives or moneylenders to meet these costs, which can lead to long-term financial strain.

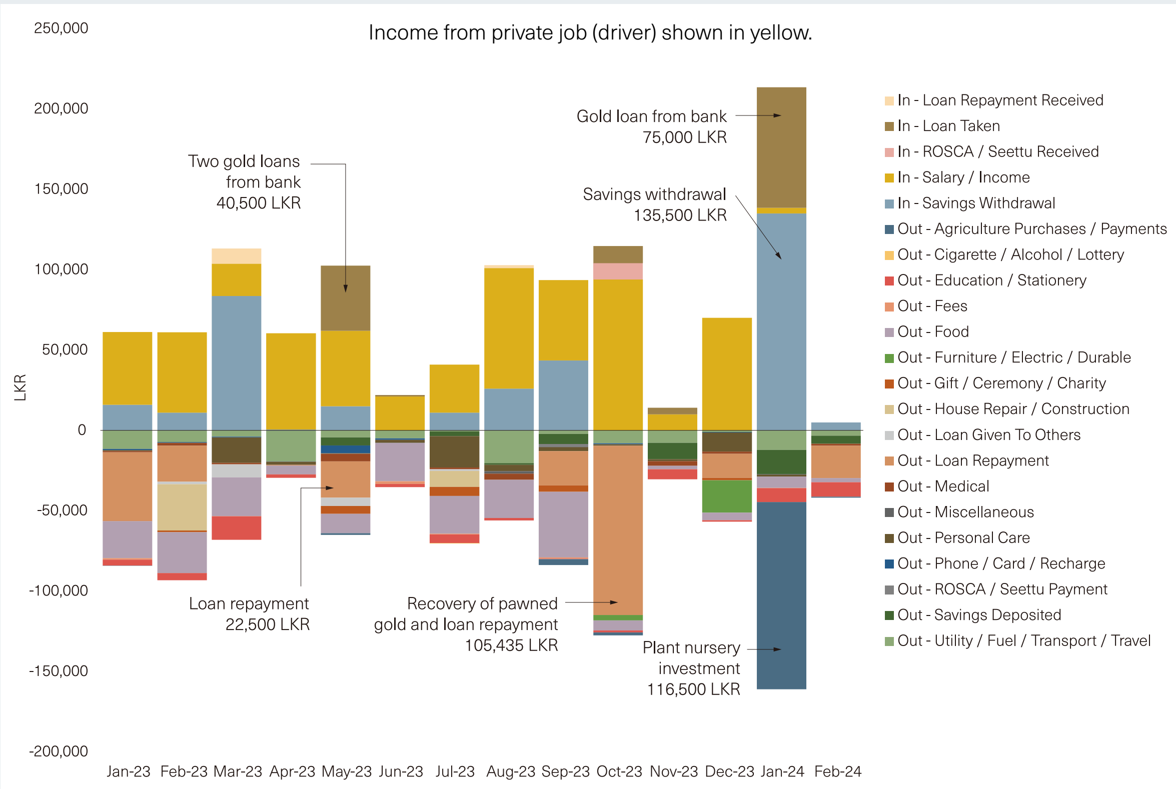
## 6.4 Agriculture

Farming is a primary livelihood for several households, as documented in the diaries, with seasonal harvests providing lump-sum income. Key farming activities include paddy cultivation, tea leaf cultivation, fruit and vegetable farming, and livestock rearing. Approximately 65% of the households are engaged in agriculture, which enables them to grow their own food, reducing reliance on market purchases in a time of increasing prices. It also generates income and creates employment opportunities within families and rural communities.

### Investment in Green Product: Plant Nursery

Diarist 35Na, a 33-year-old housewife from the Narammala region, lives with her husband and three children aged 13, 4, and 1. She maintains the household's financial diary, often with assistance from her eldest son. Her husband, a driver, earns an average monthly income of approximately 62,000 LKR, which he deposits into his bank account.

In May 2023, the household obtained two gold loans from a bank totaling 40,500 LKR. They primarily used these funds to repay an earlier institutional loan for house construction before the research period. A recurring pattern emerges in their financial behavior: they use gold as collateral to access loans for repayments, recover the pledged gold, and then re-pawn it when needed.




Diarist 35Na

In January 2024, they secured a gold loan of 75,000 LKR from a bank as capital. They used these funds and their savings to establish a plant nursery. The data indicates that they spent approximately 100,000 LKR on purchasing agarwood plants, in addition to expenses for suitable fertilizers.

The household uses gold loans as a versatile financial tool to fund house improvements and small business ventures. While gold loans offer quick and flexible access to credit, they also risk losing valuable assets if the household fails to meet repayments.

## 7. Respondent Feedback

At the end of the data collection period, the research team engaged with all participating households to gather feedback on various topics through surveys and interviews. These included their awareness of managing personal finances using the Financial Diaries, quality of life and well-being changes, and crisis navigation such as job loss, illness, bereavement, and economic downturns. Here are some of their testimonials:

> Our main challenge is the lack of stable employment. We rely on daily wages, so managing finances becomes very difficult when work is limited. Additionally, I am undergoing diabetes treatment, which adds to our financial and health concerns.
>
> Piyawathi, Kesbewa

> We struggled to save regularly due to the high cost of living. The expenses often exceeded our income, making it challenging to set aside money for savings consistently.
>
> Yogamalar, Ragala

> The loan is taken for small business expenses like fishing equipment. Apart, from this, it is a must to invest in the business for continuity even if there's no profit.
>
> Rasamalar, Chavakachcheri

> I'm unsure whether I could say that our life quality had been better, but we were able to eat three times a day. We were able to send our children to private institutions for their education, buy clothes on festive occasions, pay interest for our pawned jewelries and pay our electricity bills timely without any delays.
>
> Suganthini, Chavakachcheri

> Able to understand how much money is needed per day to cover the expenses and the importance of saving money for emergencies. Because the diary showed how much we had to spend extra money on loan interest...
>
> Somawathi, Monaragala

Many households shared that participating in the Financial Diaries helped them become more aware of their personal finances. They often noted that they tracked expenses more carefully and spent more consciously. Some of these comments may also reflect what participants thought was the expected or acceptable thing to say, hence can have an element of social bias as well.


Diarist with his spouse and financial diary

## 8. Findings, Recommendations, and Conclusion

### Findings

By tracking daily cash inflows and outflows, the research provides a comprehensive view of how households respond to financial pressures and make decisions around credit, savings, and consumption. The following key findings highlight the patterns and behaviors observed in household cash flow management:

Household income heavily relies on daily and weekly wages (80% of total household income) from various occupations, supplemented by income from agriculture and business sales, though these categories may overlap. Remittances and ceremonial cash gifts also contribute significantly. Approximately 46% of households rely on diverse income sources such as agriculture, small businesses, and daily labour. However, multiple income streams do not necessarily indicate financial stability; they reflect the households' adaptability in managing fluctuating incomes.

Household expenditures reveal the effects of inflation during the 2022 economic crisis. Spending on food, utilities, and transportation remains high, with food representing the largest share, constituting 63% of total expenses.

Loan source segmentation indicates that informal lenders provide 58% of the total loan value, surpassing institutional loans at 42%. Households access informal loans more frequently and often turn to family-based lending, comprising 25% of informal loans, due to lower interest rates and more flexible repayment terms. They primarily use these informal funds to purchase business materials, support agricultural activities, repair equipment, and cover ceremonial expenses.

Households allocate the largest share of institutional loans (28%) to repay or refinance existing debts. House repair and construction loans make up for another 21%, indicating asset building in phases, with 47% of these loans secured through gold pawning. Business loans account for 17% of funding investments in equipment and material purchases for shops. Additionally, households use 15% of loans to maintain liquid cash reserves for immediate financial needs, with 37% sourced through gold-backed loans.

Households predominantly rely on smaller gold loans, with 82% of the loans falling at 50,000 LKR or below, demonstrating their preference for immediate and manageable financial support. They used larger gold loans above 50,000 LKR mainly for house renovations, construction, and equipment purchases, although demand for larger amounts remained limited.

Significant shifts in household behavior emerged during the 2022 economic crisis, triggered by the rapid depreciation of the Sri Lankan rupee. Fuel shortages, power outages, job losses, and rising food prices disrupted daily life. As inflation surged, households likely redirected a larger share of their spending toward food, rising from 30–40% to as much as 70% of total expenditures while delaying payments for utilities like electricity and water. External support, such as gift receipts and remittances, became increasingly important as household budgets strained.

Ceremonies, especially funerals, profoundly impact households, often placing them in financial strain. The households adhere to cultural and religious customs such as almsgiving and providing meals to the villagers along with the funeral costs, thereby spending significant portions of their income, sometimes equating to an entire year's earnings. This financial burden forces families to rely on external support like cash gifts from relatives and villagers, funeral societies, or to borrow money from money lenders.

The Government welfare program Samurdhi provided a wide range of financial and social support, including food stamps, housing loans, and essential groceries, addressing low-income households' immediate and long-term needs. The transition to the Aswesuma welfare program resulted in fewer beneficiaries, reflecting stricter eligibility criteria and underscoring the importance of ensuring continued support for vulnerable households and poverty alleviation.

All diarists engaged in some form of saving, ranging from infrequent bank deposits to informal practices such as ROSCA, saving with local communities, family members, or in hidden spots at home. Bank-related savings accounted for a few significant transaction amounts but were less accessible for many due to the inconvenience of ATMs or branches. ROSCA, a popular community-based savings and credit mechanism, was observed in all regions, though participation varied due to personal preferences or financial constraints. Informal lending money to family, friends, and neighbours was also notable. However, these informal loans often had flexible or undefined repayment terms, occasionally resembling gifts rather than loans.

The feedback and testimonials from diarists during the end of the research reveal greater awareness of household finances, changes in spending habits, and the adoption of saving disciplines. In addition, it has contributed to improved literacy and financial well-being among households, especially among women, and increased visibility into the realities of their livelihoods.

## Recommendations

Sri Lanka Financial Diaries reveal that reliance on daily and weekly wages, gold-pawned loans, preference for informal savings, burden of ceremonies, dependence on cash gifts, limited geographic access, and banking infrastructure shaped financial decisions. Based on the key findings, here are some recommendations that institutions or policy makers can consider for better service in the region:

- **Address income fluctuations:** Introduce micro-loans with small disbursement amounts and flexible repayment terms to match fluctuating income patterns. Align repayment schedules with weekly income cycles, primarily for day labourers.

- **Flexible home building loan:** Provide a flexible financing facility that allows individuals to borrow funds as needed for different stages of home construction, rather than receiving a lump-sum loan upfront. Borrowers can draw funds in stages, and interest is charged only on the amount drawn.
- **Support agriculture:** Design agriculture-aligned loan products with repayment terms matching the harvest cycles, as 65% households are engaged in agriculture and seasonal harvests provide lump-sum income.
- **Expand small-value gold loans**: Formalize and expand small-value gold-backed loans with fair valuations and interest rates, as 64% of the institutional loans are gold-backed.
- **Gold savings schemes**: Offer gold savings schemes to help families gradually build collateral and resilience towards uncertainties, as it leverages cultural tendencies.
- **Incorporate ROSCA features:** Introduce savings and loan schemes that incorporate the features of the ROSCA/*Seettu* system, which features a savings and loan hybrid mechanism, by building upon the existing community practices.
- **Introduce savings installment with equipment purchase:** Develop products to meet specific household needs, such as consumer goods, through installment-based purchase schemes similar to the 'Equipment-*Seettu*' model. This approach involves partnering with local vendors to provide essential items directly, instead of cash, enabling customers to acquire goods through structured, affordable payments.
- **Increasereach:** Deploy mobile agents or digital wallets to reach remote communities with limited banking access.

## Conclusion

The Financial Diaries approach provides a unique lens into the realities of low-income households through self-documentation of cash flow by the diarists. The project identified key patterns in income diversification, informal lending, affordable and timely credit through gold-backed loans to invest in livelihood improvements, income generation, reduce borrowing costs, and manage debt. It highlighted the resilience and adaptability of households navigating inflation and emergencies, limited access, and fluctuating income, particularly during economic instability. Beyond data collection, the project strengthened financial awareness, especially among women, by encouraging active engagement with personal finance.

In future research, we aim to explore the potential of technology to enhance the Financial Diaries approach. This includes leveraging speech-to-text language models to transcribe field visit interviews conducted in local languages, using AI-driven analytics to uncover patterns in household cash flows and financial behavior, and assessing the feasibility of digital diaries as alternatives to handwritten formats. As financial inclusion efforts continue to evolve, these innovations may improve both the efficiency and depth of research. Ultimately, this work underscores the importance of designing responsive and flexible financial services that reflect regional realities, diverse income sources, and the lived experiences of underserved communities.

## Contact

**Cheriel Neo**
cheriel.neo@gojo.co

**Mercyline Manoj**
mercyline.manoj@gojo.co

**Yoshinari Noguchi**
yoshinari.noguchi@gojo.co

Please contact us if you have any feedback on this report or would like to collaborate with us on Financial Diaries Research or Impact Measurement.

Gojo & Company, Inc. is headquartered in Japan, at 3-14-5 Sendagaya, Shibuya, Tokyo 151-0051
https://gojo.co/

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