

Stories from Gojo's Financial Diaries

Diarist Ramani:

Gold Loan for Immediate Liquidity

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 Gojo & Company, Inc.

*“Writing the financial diary helped us to understand where we get money and what we spend it on. It reflected our financial status. Because of the diary, we understood our financial activities in detail. Now, I can spend depending on my income, and I avoid unnecessary purchases...”*

Ramani (name changed for privacy) is a 36-year-old widowed diarist and shop owner from the Narammala region in Sri Lanka. She lives with her 11-year-old son. She participated in the research project from November 2021 to February 2024. Ramani has completed secondary GCE<sup>1</sup> Ordinary Level education, which is typically completed by age 16. Her son is in 6th grade.

Ramani is self-employed and runs a tailoring shop. Her income from sewing fluctuates significantly, ranging from as low as 400 LKR to 14,000 LKR per

month. She also earns an average weekly wage of around 4,500 LKR from ‘*beedi*<sup>2</sup> wrapping,’ a process in which *beedi*, the cheapest handmade smoking tobacco product, is produced.

During the research period, Ramani received financial assistance from the Sri Lanka Government’s Samurdi and Aswesuma<sup>3</sup> welfare schemes for low-income households, averaging around 4,600 LKR per month. Diary data also indicates regular financial support from her siblings and mother. Additionally, there are times when she receives free grocery items from close relatives.

Figure 1 below depicts her monthly income during the research period.

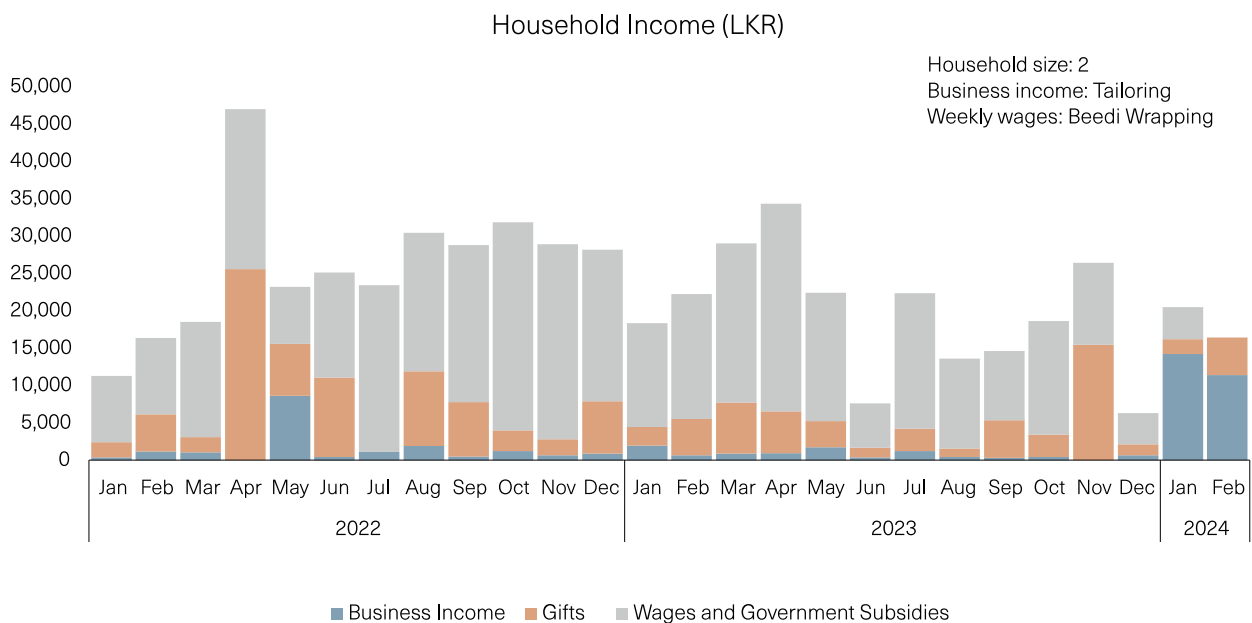


Figure 1

- 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.
- 2 *Beedi* is a mini-cigar filled with tobacco flakes wrapped in a leaf, tied with a string. It is a cheap alternative for cigarettes and prevalent among low-income groups in South Asia.
- 3 Samurdi and Aswesuma welfare schemes—These are Sri Lanka Government run poverty alleviation welfare schemes which offers food stamps, microfinance, and livelihood support to low-income households.

If not for regular cash gifts, it would have been challenging for the household to make ends meet.

Household expenditures fluctuated in response to income levels. Food expenses were relatively high from mid-2022 to early 2023, coinciding with the economic crisis, as shown in Figure 2. The crisis also impacted education expenses, with recurring fees for extra classes in 2022, which declined in 2023. Business-related expenses for tailoring were minimal, primarily spent on sewing materials, with a net business income of 49,590 LKR recorded during the research period.

Sri Lanka celebrates the Sinhala New Year in April, a time when spending on food, clothing, and essential commodities tends to increase. This seasonality was observed in both 2022 and 2023. Almsgiving and contributions to temple rituals are commonly observed, reflecting the significance of communal and religious commitments in financial planning. Figure 2 illustrates the monthly expenditure trends during the research period.

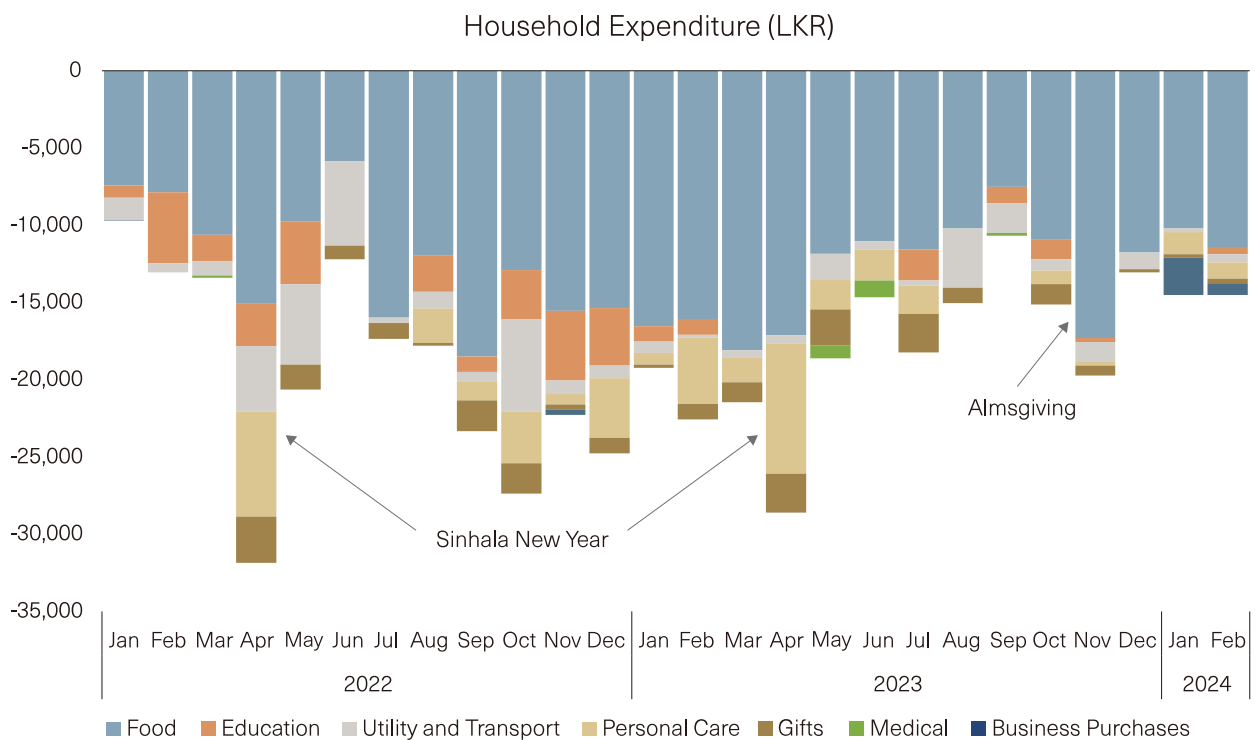


Figure 2

# Gold Loan and House Construction

In February 2023, Ramani undertook a significant financial transaction by taking a gold loan from a bank to fund house construction. In Sri Lanka, gold jewellery is commonly owned, even by low-income households, with many possessing small 22-karat gold items such as earrings, chains, and bracelets. Gold is considered both a form of savings and a readily available source of cash during emergencies. Financial institutions

offer loans using gold as collateral, making it a preferred borrowing option for households due to its immediate liquidity and lower risk for lenders. Loan amounts are determined based on the value of the pledged gold at the time of borrowing.

An analysis of her loan repayment transactions indicates that while the repayment amounts are not fixed, they remain relatively consistent over time, offering flexibility in managing financial obligations. In addition to the gold loan, she also accessed a smaller loan from a welfare society for house construction, as shown in Figure 3.

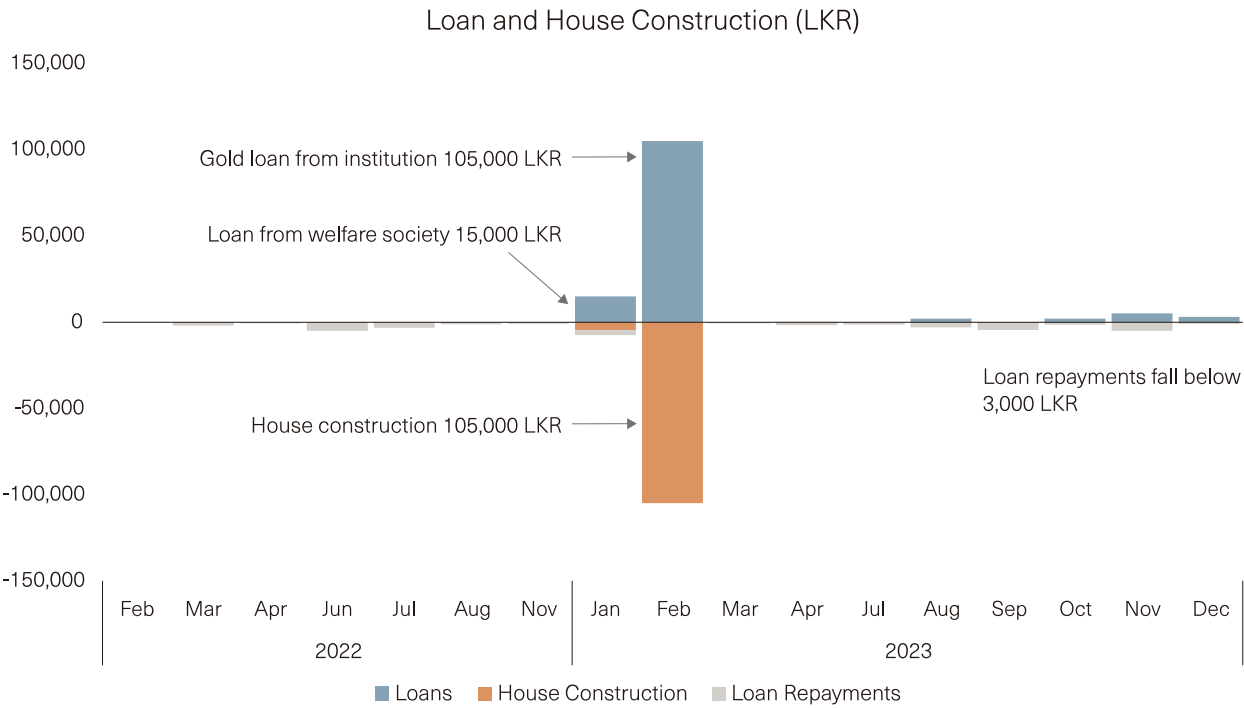


Figure 3

## ROSCA, Savings, and Cash-in-hand balances

The diarist actively participates in ROSCA (Rotating Savings and Credit Associations) and regularly pays membership fees for a funeral society, a local welfare society, and the government-based Samurdhi society. However, no bank savings transactions are observed, and home-based savings in tills remain minimal.

## Conclusion

Ramani's income and expenditure are closely aligned. Her income streams are varied yet unpredictable, requiring a combination of self-employment, government subsidies, and familial support to navigate daily life. Gold pawning serves as a crucial source of immediate liquidity without disrupting daily consumption in her financially vulnerable situation. Her participation in ROSCA and welfare societies reflects an effort to build financial resilience. Being part of the Financial Diaries research also enables her to understand weekly income and expenditures and to have spending discipline. Figure 4 illustrates the overall cash inflow and outflow.

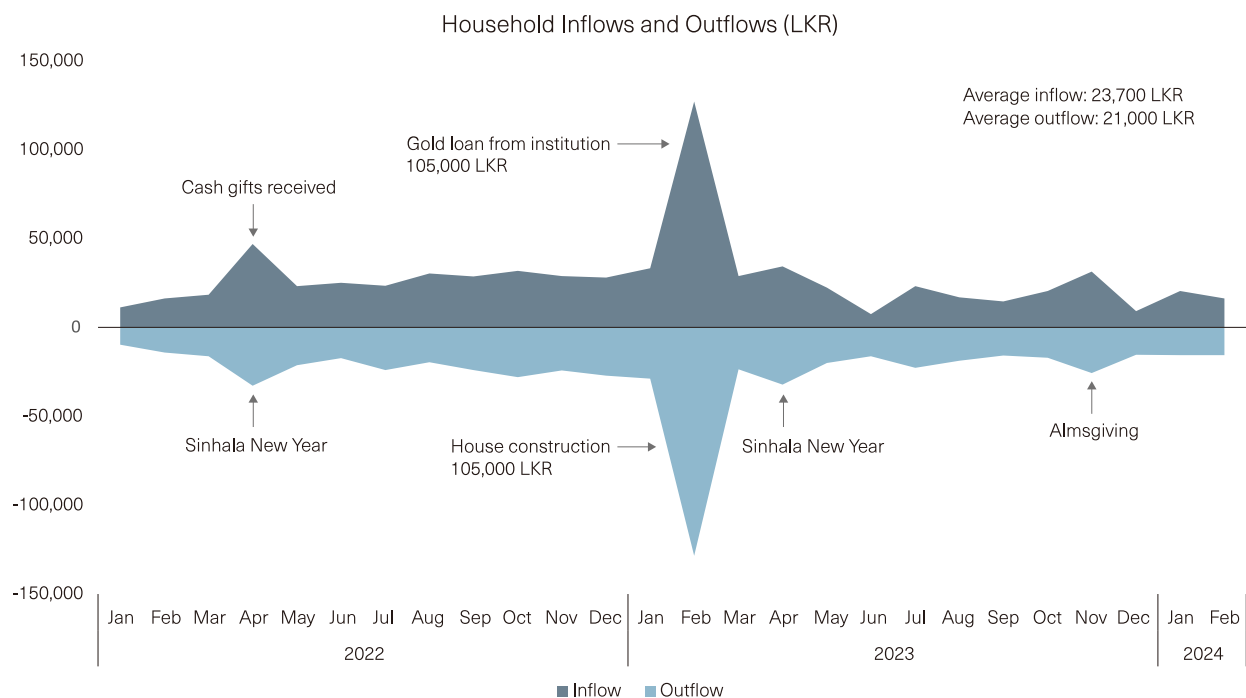


Figure 4

From a microfinance standpoint, small, structured home improvement loans could be designed to match fluctuating income patterns instead of relying solely on gold pawning. Introducing user-friendly savings products with small, regular

deposits could help build financial resilience in place of home-based till savings. Offering vocational training in tailoring expansion and digital marketing of stitched products can also help to improve business income.