

# Impact Report 2019





The Managing Director of MIFIDA with customers at a center meeting in Yangon City. / **Taejun Shin**

# A Word From Our CEO

Dear readers,

It is my pleasure to issue our first impact report. Taking this opportunity, let me briefly set forth why we founded Gojo and what we aim to accomplish.

I was born and raised in Japan as a member of an ethnic minority. This life has not been easy at times— it was not easy for my family to afford my higher education by themselves, and even now I don't have a passport. However, I was fortunate, because I had access to my parents' love, basic education, information about the world, and financial access— the major components of equality of opportunity. One and a half years after joining Morgan Stanley, I found that I could deal with the challenging working environment. I started an NPO named Living in Peace with my friends, spending our midnights, weekends, and vacations considering what we could do to expand equality of opportunity. That's how I encountered microfinance. Living in Peace established the first microfinance fund in Japan's history in 2009, and became one of the most successful NPOs in Japan.

When I attended the Summer Davos in 2012, I realized that individuals can make private sector versions of international organizations in the 21st century. I became determined to establish the Private Sector World Bank, extending financial inclusion to everyone in the world. Although microfinance is not a silver bullet, it can go a long way toward improving equality of opportunity. We therefore founded Gojo in July 2014.

The job of financial services is to provide people with useful tools to manage their money. However, the microfinance sector is still struggling to provide useful, high-quality services at affordable prices. As business people, our approach to this problem is to equip financial service providers with operational excellence and technology, and enable them to scale.

We prioritized achieving operational excellence and scaling for the first 5 years, because technology is an amplifier— efficient operations become more efficient thanks to technology, but inefficient operations only become more inefficient. Starting in 2019, we embarked on several new tech initiatives to further improve the quality of our services and operations.

Impact is not at all on the periphery of our business. It is right in the center of everything we do. If we want to be a truly excellent, client-centric financial service provider, we have to measure the impact of our services in an intellectually honest manner and face reality to improve what we do. Adherence to the truth, or intellectual honesty, is what is needed in our business, rather than any wishful thinking. That is the spirit of our impact measurement.

I hope you enjoy our impact report. We welcome any constructive criticism or feedback.

Best wishes,

**Taejun**  
*CEO and co-founder*

# A word from JICA

Japan International Cooperation Agency (JICA) places great emphasis on financial inclusion, an endeavor to provide universal access to affordable financial products and services. Access to financial services is important for individuals in the developing world, as well, to lead a stable life and advance their economic activities. In particular, providing financial access to the underprivileged segment of population in emerging economies, which often includes women, ethnic minorities and persons with disabilities, is crucial to ensure that no one is left behind from financial inclusion.

In our position paper on the SDGs published in 2017, we declare our aim to achieve Goal 1: “No poverty” through facilitating financial inclusion in developing countries, strengthening coordination toward poverty eradication in our operations, and promoting innovative solutions in collaboration with various stakeholders, including private actors.

JICA also participates in the initiative of “2X Challenge: Financing for Women” with the other G7 development partners which aims to empower women through mobilizing private investment in their entrepreneurial and economic activities.

Gojo promotes financial access for all, with the primary goal of reaching 100 million people in all continents by the end of 2030. Considering that the majority of clients in the microfinance institutions to which Gojo provides financial and technical resources are women, we expect Gojo’s work to greatly advance the financial access and economic activities of women in developing economies, as well as their underserved populations as a whole.

We highly appreciate Gojo’s mission of creating a world where everyone has the opportunity to determine his or her own destiny and attain a better life. We are pleased to be of any assistance for Gojo to make a difference to people’s lives in the developing world.

**Mikio Hataeda**  
*Director General,  
Private Sector Partnership and Finance Department*





A Cambodian lady who now runs a weaving factory with several employees. / **Taejun Shin**



The team at our Gojo members' meeting in November 2019. / Gojo

# Our Vision, Mission and Values

## **Our vision**

To create a world where everyone can determine their own destiny

## **Our mission**

To extend financial inclusion to everyone

## **2030 Goal**

To enable provision of high-quality financial services to more than 100 million unserved and underserved people in 50+ countries.



### **Gojo values**

Our name, "Gojo" (五常), comes from the 5 Confucian values of compassion, integrity, courtesy, wisdom, and trust. We use a modern interpretation of the values to guide our decisions and day-to-day work.

仁

Compassion

#### **Stand by our Clients**

We strive to see things from the perspective of our end clients so that our services support their goals.

義

Integrity

#### **Act on Principles**

We are guided in all we do by our principles without exception.

礼

Courtesy

#### **Listen First**

We always keep an open mind and uphold everyone's right to be heard and respected.

智

Wisdom

#### **Learn-Think-Share**

We challenge the conventional, consider the practical, and share our knowledge with others.

信

Trust

#### **Be Genuine**

We build trust and demonstrate our loyalty by telling the truth without concern for appearances.



Ladies in Gujarat, India. They are all neighbors and formed a group to borrow money from an MFI backed by Ananya. / **Taejun Shin**

# The challenge of financial inclusion

According to the 2017 Global Findex, around 1.7 billion people today do not have access to financial services. Nearly all of them live in developing countries, and a disproportionate number (56%) are women. This lack of access to financial services is a key factor that perpetuates poverty. People who are unbanked or underbanked lack safe ways to save money, have to spend time physically moving money to and fro when they make or receive payments, and find it difficult to obtain loans to fund their businesses or to pay for important purchases.

**Table 1** - The unbanked population in our countries of operation

Country	Unbanked Adult Population	Unbanked Adult Population (%)
India	190 million	20%
Myanmar	27 million	74%
Cambodia	8 million	78%
Sri Lanka	4 million	26%

Note: Financial exclusion data from the 2017 Global Findex; population data based on the World Bank's 2017 population estimates

# Our commitment to the SDGs

As a business whose core mission is to enable people in poverty to overcome barriers to building better futures, Gojo is committed to **Goal 1: End poverty in all its forms everywhere**, **Goal 8: Decent work and economic growth** and **Goal 10: Reduced inequality**.

Recognising the complex and multidimensional nature of poverty, our work also focuses directly and indirectly on other SDGs in the areas of women's empowerment, health and wellbeing, education, water and sanitation, and energy.

For instance, AVIOM puts decent, affordable housing within reach of over 10,000 households, while Satya and Maxima provide loans for sanitation and energy. Ananya's wide-ranging footprint as a microfinance wholesaler enables the provision of loans and services for agriculture, skills training, healthcare, energy and sanitation to over 4.7 million end clients, 99% of whom are women.

Gojo embraces the historical legacy of microfinance institutions as champions of women's empowerment and gender equality, and the majority of our group companies have a particular focus on women borrowers and entrepreneurs.

As an investor, we align our KPIs with the SDGs and the IRIS<sup>1</sup> indicators, which enable us to communicate our reach in an easily comparable manner. The strong growth in our end client numbers from 2018 to 2019 and the continuing predominance of women clients in our loan portfolio are encouraging indications that we are making progress towards our 2030 goal while continuing to reach underserved groups.

At the same time, as an operator, we continually seek to improve our practice of financial inclusion. In 2020, therefore, we look to go beyond high-level KPIs and will be developing approaches to impact measurement that provide shorter feedback loops and give us deeper insight into our clients' experience of our partners' products and services.

1. The Impact Reporting and Investment Standards (IRIS) are a standardised set of indicators developed by the Global Impact Investing Network (GIIN) to enable investors and companies to measure and manage their impact

**Table 2 - Contributions towards SDG targets**

SDG targets	KPIs	March 2019	March 2020
<b>1.2</b> By 2030, reduce the number of people living in poverty at least by half	Total number of active clients <sup>1</sup>	340,562	558,783
	% of rural clients <sup>2</sup>	87.00%	87.22%
<b>10.2</b> By 2030, empower and promote the social, economic and political inclusion of all	Rural clients % of loan portfolio <sup>3</sup>	64.04%	74.65%
<b>5a</b> Give women equal rights to economic resources	% of female clients <sup>4</sup>	99.73%	98.54%
<b>8.3</b> Encourage the formalisation and growth of MSMEs, including through access to financial services	Number of SME clients	N/A <sup>5</sup>	15,403 <sup>6</sup>

1. Excluding Ananya's end clients (Ananya is a microfinance wholesaler with 4.5 million end clients)

2. The March 2019 numbers exclude Ananya, Loan Frame and two companies who did not report on rural client numbers at the time; the March 2020 numbers exclude Ananya, Loan Frame and one other group company not reporting on rural clients

3. As Above

4. Excluding Ananya and Loan Frame

5. We began collecting this data in March 2020

6. Excluding Ananya's end SME clients, AVIOM, who only lend to individuals, and one other company that does not currently report SME client numbers



# Our approach to creating impact



**Figure 1 - How Gojo Creates Impact**

Gojo's business is to provide our partners with the key skills and resources needed to deliver impact at scale. We do this in the following ways:

## 1. Partner selection

We select and invest in partners who demonstrate alignment with our mission and values through their focus on extending financial inclusion to unserved and underserved households and businesses. Partners are chosen for their potential to become market leaders in countries with large low-income populations, so that each partnership enables financial inclusion for as many people as possible. We also seek out partners with strengths in technology or specific financial inclusion outcomes to complement and build up the group as a whole.

## **2. Technical and management support**

Gojo's team is made up of professionals experienced in microfinance, investment, consulting, technology, and impact management. Where helpful, we share our knowledge and experience with partners to strengthen governance and support new initiatives, for instance by providing training in internal audit, helping to design or procure technology products, or through our country representatives working alongside partners in their local offices.

## **3. Social Performance Management (SPM)**

From the beginning, Gojo has had a firm commitment to industry standards for responsible practice, as set out in the Client Protection Principles (CPP<sup>1</sup>) and Universal Standards for Social Performance Management (USSPM<sup>2</sup>). Our SPM lead, Praachi Gandhi, is an SPI4 Qualified Auditor. Praachi works closely with each of our partner companies to conduct SPI4 assessments, achieve Smart Certification and build capacity for monitoring and compliance with the Universal Standards.

## **4. Impact measurement**

Our work on impact measurement began in earnest in early 2020, and is therefore still in its early stages. While we continue to monitor a standardised set of IRIS-aligned KPIs for each partner, we define impact as the change that occurs in our clients' lives as a result of our services. Our emphasis is therefore shifting away from outputs and towards data that will tell us how our clients' lives are changing in response to current events and our partners' services.

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1. The Client Protection Principles were developed by the Smart Campaign and are the minimum standards of care that clients should expect to receive when doing business with a financial service provider.

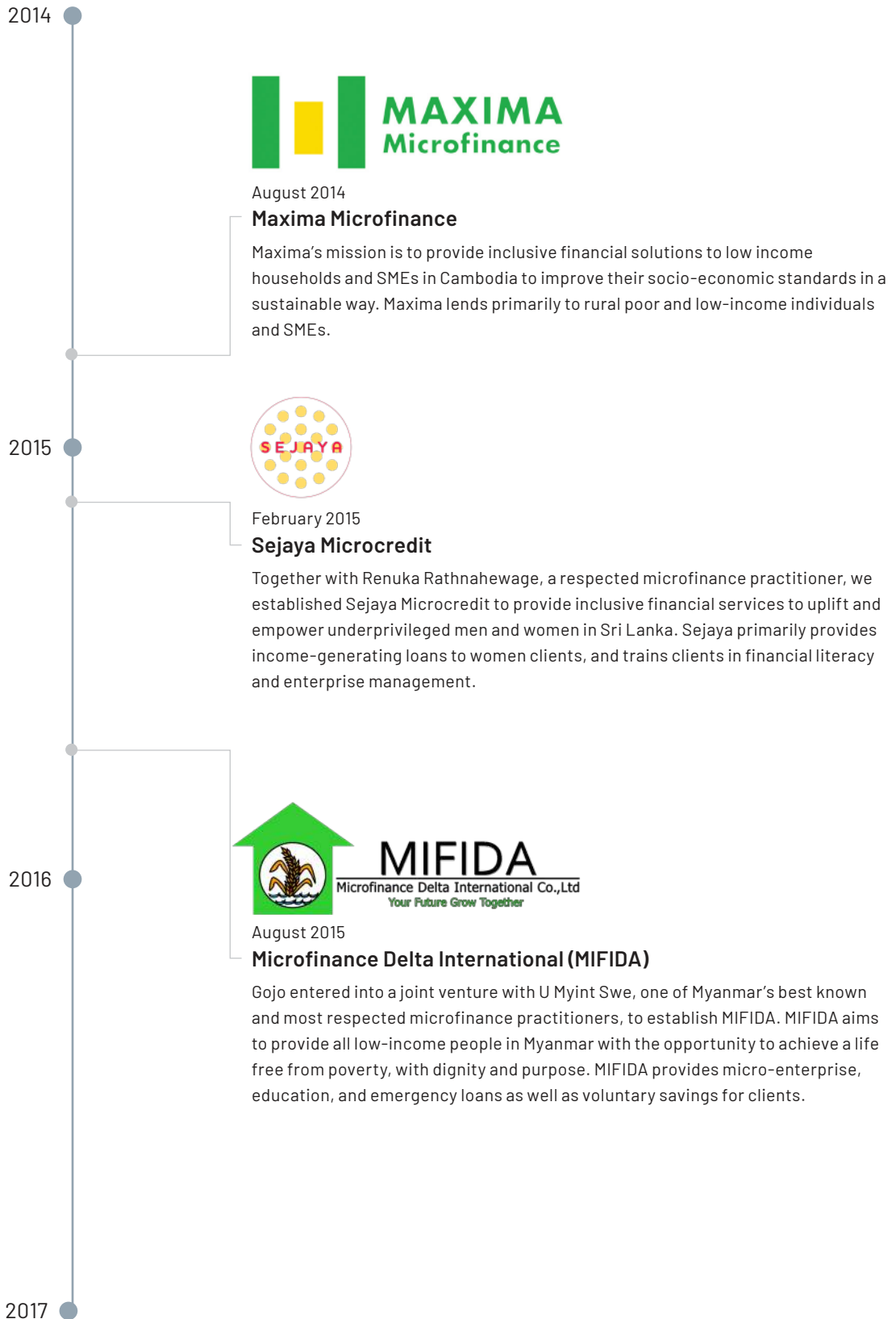
2. The Universal Standards for Social Performance Management, promoted by the Social Performance Task Force (SPTF), are a comprehensive manual of best practices in microfinance created to help financial service providers achieve their social goals.





Employees of MIFIDA. The picture was taken after completing a 2-hour training session. / **Taejun Shin**

# Gojo group overview







February 2018

### Ananya Finance for Inclusive Growth

Ananya is a wholesale lender for MFIs and other social enterprises in India. Established in 2009 by Friends of Women's World Banking (FWWB), Ananya's vision is to enable every poor Indian woman to have access to financial capital and enable her to be an active catalyst in social development. Ananya provides finance and capacity-building support to MFIs, agrifinance providers and other MSMEs, and has over 4.7 million end clients.



July 2018

### Satya Microcapital

Satya is the fastest growing MFI in India, setting up over 80 branches in just 2 years since establishment. Satya aims to be the preferred choice for people at the bottom of the pyramid in creating their enterprises and livelihoods. Satya provides group and individual loans, as well as loans for water, sanitation and hygiene (WASH) and energy, and is pioneering cashless collections through biometric authentication.



August 2019

### AVIOM India Housing Finance

AVIOM's mission is to help families in semi-urban areas realise their dream of owning a home. In addition to affordable home loans, AVIOM also provides finance for home upgrades and sanitation. AVIOM is a woman-led company that empowers women clients by placing them at the center of their household's goals for home ownership and financial autonomy.



December 2019

### Loan Frame Technologies

Loan Frame is a supply chain finance platform serving the 'missing middle' by aiming to build the largest SME lending marketplace in India. Loan Frame uses proprietary scoring and risk assessment algorithms that process both traditional and alternative data to assess borrower creditworthiness, and has automated all major workflows to enable same day loan disbursements.

2018

2019

2020

# Pioneering small digital loans in rural Cambodia

Together with Maxima, we are developing a new financial service for rural underserved clients in Cambodia.

In 2017, the National Bank of Cambodia introduced an 18% interest cap for MFIs. In response, many MFIs increased their average loan size to maintain profitability. We saw the growth of large-sized loans backed by collateral. Many companies began withdrawing their operations from rural areas due to their reduced profitability.

We realised that this meant that smaller loans in rural areas were in short supply. Small loan products are extremely challenging for traditional branch-based businesses because of their high operational costs.

We saw an opportunity here to introduce digitally-enabled lending to fill this gap. Through our automated scoring-based assessment and transactions facilitated by partnerships with electronic payments service providers, we are delivering financial services to clients that other microfinance operators struggle to serve.

Combining Maxima's strong reputation as a respected institution and Gojo's technical expertise, we are able to provide a stable, reliable platform which can be used over and over again by rural clients. By giving clients convenient access to cash when they need it, we reduce the need for clients to sell their assets at short notice to obtain lump sums of cash, and thus enable them to build their asset base over time. Our service will enable the financing of daily cash needs, working capital needs, and emergency needs that arise for almost all of our clients at some point in their lives.



Sunset while conducting field research in Rural areas of Banteay Meas, 3 hours south of Phnom Penh. / **Koh Terai**

### **We recently completed our first pilot**

In our first pilot, we gathered over 50 members in one semi-rural village near Phnom Penh. We conducted in-depth research to understand our clients' needs and experience of the service, as well as how we could further improve on the service. Through our research, we discovered strong demand from the people in our initial pilot area to fund their silk weaving business through small loans, which was different from our original expectation that our clients wanted small loans for daily consumption. This encouraged us to expand our product offering beyond just daily consumption loans and to consider other use cases.

The project is now in its second phase, where we are refining our service for scalability with stability. We will soon be introducing our service to several new villages with different types of clients, where we will continue iterating the service to meet our clients' needs as best we can.

Sok Kosal, the project manager, says, "It is my passion to learn new things, and when Tomo [Gojo's Country Representative in Cambodia] introduced this project to me, I was excited to work together with a team from Japan. I used to be a Regional Manager at Maxima, and I would work with Credit Officers, who have the same experience as me in the field. When I moved to the digital project, the team members were from different fields and different nations, so sometimes to communicate well, we needed to take the time to understand each other first. I realised from working with the digital team for just 6 or so months, I have developed myself a lot.

"Even though I experienced lots of challenges, I have a lot of support from the Gojo team. Marco [product management at Gojo] gives me a lot of guidance for good management, Koh [Gojo's product designer] always has creative ideas, and Tomo has given me strong support in every aspect.

"Once, Tomasz [data analytics at Gojo] recommended giving more incentives to the M-Lady [the agent marketing loans to clients], and after we proposed it to the senior management team and they approved it, the M-Lady was very happy and her productivity increased. This is one way the team's combined effort helped me to manage the project better and produce a good result."

This project has enabled us to continue pursuing Maxima's mission to "provide inclusive finance to poor people to improve their socio-economic living standards" to new heights. We hope to empower clients to build their wealth and prevent them from needing to liquidate their precious assets just to obtain cash.







### **Inspiration for entrepreneurship**

*Padukka, Sri Lanka*

Rohini Welikala is a client of Sejaya, our partner in Sri Lanka. She owned a small grocery shop at her house and would typically use loans from several MFIs to supplement her income for consumption and daily expenses.

When Rohini heard about Sejaya, she became inspired to use loans to grow her business. In 2016, she took a loan from Sejaya to purchase sewing machines, and started a business making skirts and blouses as a subcontractor for a garment manufacturer. In the years since, micro-credit has enabled Rohini to expand both her garment and grocery businesses by hiring 5 people for her sewing business and moving her grocery business out of her house and into a small shop.

The increase in income has enabled Rohini to upgrade her house and pay for one son's continuing education and another son's marriage, and her employees have been able to send their children for extra classes as a result of the income from their jobs. Rohini now hopes to continue expanding her businesses and to eventually pass them on to her son.

Rohini and her employees at work  
/ Sejaya



### **Providing rice for the community**

*Minhla Township, Myanmar*

Daw Nyo Nyo San is 33 years old and lives with her husband and two children in Minhla Township in Myanmar. She used to sell vegetables from her bicycle, and hoped to open a small grocery shop one day. But having the funds to set up a shop seemed like a distant dream—her income was barely enough to cover daily necessities, and she was unable to pay for her daughter’s school fees.

She heard about MIFIDA’s loans for low-income families and realised she could get a loan despite her variable income. After attending a training session from MIFIDA, she obtained a loan of 200,000 kyats and used it to build a grocery shop, and stocked the shelves with snacks, vegetables and cooking supplies. As her shop gained popularity, she expanded her inventory over subsequent loan cycles to include cosmetics, shoes, betel, petrol, rice and phone cards.

Daw Nyo Nyo San’s increased income has enabled her to begin spending more on food and her children’s education, with money left over for reinvesting in the business. She has also begun saving 2000 kyats a day. Whereas previously she worried about not having enough money for rice, she now takes pride in selling rice with a monthly repayment scheme, ensuring that families in her community do not go hungry. She looks forward to expanding her inventory further and hopes to send her children to university.

Daw Nyo Nyo San sits surrounded by goods in her shop. / **MIFIDA**



### **A fresh start at 55**

*Patna, Bihar, India*

Rita Devi is 55, and lives with Sohan, her husband of more than 30 years, in Patna, Bihar, India. Although the couple dreamt of owning and managing a business, they struggled even to cover daily expenses from time to time and felt helpless that they were often forced to rely on money from their sons.

Upon hearing of their difficulties, a friend told them about how Satya's microloans had helped her set up a dairy business, and encouraged Rita to join one of Satya's Limited Liability Groups. In 2017, Rita Devi applied for a loan of Rs. 35,000 and set up a small general store together with Sohan. The enterprising pair would constantly adjust their inventory and processes to make their shop more and more popular. The business prospered under their careful management, and recently Rita Devi was able to secure a Micro-Business Loan from Satya of Rs. 150,000 to expand the business across two stores.

Rita Devi says, "At this age when everyone expects older people to just sit at home, we are glad that we didn't give up. We had a dream and started working towards achieving the same...I want to heartily thank the entire team of Satya for helping poor people like us, even at this age, reach places which would otherwise have been impossible to even dream of."

Rita Devi with her husband,  
Sohan Prasad, at their shop  
in Patna./ **Satya**



### **Skills training for a steady income**

*Bhavra, Madhya Pradesh, India*

Shabnam Sehzaad Khan lives in Bhavra, Madhya Pradesh, India. She had a little bit of tailoring knowledge and used to do odd jobs here and there, stitching and sewing things. She wanted to improve her tailoring skills, and when she heard about the entrepreneurship training provided by Ananya through her local MFI, she eagerly enrolled.

On the training course, she learnt about cutting, stitching, inserting sleeves, seam techniques and fashionable new clothing designs. Feeling confident about her new skills, she decided to take the plunge and used a Rs. 30,000 loan from Ananya (provided through Prayas, a local MFI) to buy a sewing machine. She began creating garments such as churidar, patiyala, ghagra, and lehenga, and began to sell clothes directly to local women on top of her existing sewing jobs. Her workload increased over time, and she was able to employ two local girls to assist her.

Shabnam says, "I am thankful for such an initiative that not only thinks of building capacity for beneficiaries but also provides loan support. After joining this project, I have been sewing new designs and providing more services to customers, which has increased my earnings."

Shabnam sits at her workbench with her sewing machine, purchased using a loan from Ananya through a local MFI  
/ Ananya

# An interview with Stuart Rutherford

## **Could you tell me how you first became interested in Gojo?**

I met Taejun Shin about ten years ago at a microfinance event. We kept in touch and he told me about his ideas for Gojo. I thought his combination of business success, commitment to social development, and openness to new ideas would be a good foundation for a new type of microfinance investment company.

## **Why is it important for microfinance practitioners to invest in understanding their clients, and how can we do this well?**

Microfinance folk often feel they are bringing something entirely new to low-income households. They tend to overlook the long history of money management practices developed by poor people. I saw examples of these practices in the slums of Latin America in the early 1970s, before microfinance got going. Once microfinance was up and running, I saw a gap between what MFIs were doing and what their clients had long been doing for themselves.

The gap occurred, I think, because the microfinance pioneers lacked knowledge about poor people's financial behaviour. A good example is savings. Even Muhammad Yunus, the founder of Grameen Bank, could tell an international conference as late as 1996 that "the poor don't need savings: the only thing that can help them is loans". This puzzled me, because I had seen many inventive savings schemes run by poor communities all around the world, and seen how committed their members were to their savings.

Some years later, after some painful learning from their own clients, Yunus and Grameen changed their minds. Grameen Bank is now very good at helping poor people amass, store, and use their savings. As a Grameen client said to me at the time, "Ah! Grameen should have done this years ago!"

Stuart is a pioneering researcher in the field of microfinance, as well as one of Gojo's board members. He has over 35 years' experience in financial services for the poor, and is the author of *The Poor and their Money* (2000) and co-author of *Portfolios of the Poor* (2009).



Investing in understanding clients will help us avoid such mistakes. We'll have to use research methods that take us close to the realities of life on low incomes, as it is lived, day-in and day-out. My own favourite method is 'financial diaries', where volunteer low-income households invite us to track their finances, revealing the relationship between their money and their lives.

### **What do you think Gojo is doing well in terms of our impact so far?**

Gojo is at the beginning of what will turn out to be a trail-blazing experiment in impact research, so it doesn't yet have much fine-grain impact data of its own.

It is likely that the impact of Gojo's investments in group-based lending in Sri Lanka, group-based lending and saving in Myanmar, and in enterprise lending in Cambodia, is similar to what the most recent reliable international research shows: microlending has a positive impact on enterprise growth and stability, and savings have wide-ranging impacts on household security for lower-income households, many of whom don't run enterprises but work in the informal labour market. The focus on women clients has mixed outcomes but generally favours women's interests. In India, Gojo's partners are each driving forward improved or even entirely new ways of doing microfinance, and figuring out what this means for clients will be an exciting part of Gojo's impact evaluation work.

### **What do you feel are the key growth areas for Gojo in the next 5 years?**

Two areas of Gojo's growth especially excite me. One is its evolving commitment to 'people-based product design', especially in savings and in 'hybrid' products – products that are not satisfied with the conventional silos into which financial services are divided, but see low-income money-management needs more holistically. The other is its commitment to using technology – not for its own sake but to make its products ever more accessible, useful, and affordable.

# Social Performance Management (SPM) at Gojo

Since inception, one of Gojo's guiding principles has been to act with integrity as a responsible social investor. We set up our SPM department in December 2014 to ensure accountability to Gojo's values and social mission as well as compliance with industry-standard best practices across all partners.

SPM is a social audit and monitoring function that focuses on how a financial service provider's management systems, processes and products translate its social mission into practice. We use CERISE's<sup>1</sup> SPI4 audit tool, which encompasses the ALINUS due diligence indicators and the Client Protection Principles, to enable the partners to evaluate their alignment with the Universal Standards for Social Performance Management (USSPM) and the Client Protection Principles (CPP). Because the SPI4 Audit tool is fully aligned with the USSPM, it provides a comprehensive assessment of an institution's SPM practices, supporting responsible MFIs to implement best practices for their staff, clients, and the environment.

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1. CERISE is a French non-profit organisation dedicated to responsible and ethical finance. They have pioneered the standardisation of SPM implementation and developed and maintain the SPI4 audit tool.



Maxima employees and board members at its 2017 annual party. / **Taejun Shin**



**Figure 2 - SPM Journey with our Partners**

To institutionalise SPM after the initial investment, we begin developing buy-in at the level of our partners’ board and senior management, working with the management team to set up an internal SPM Department and appoint a Head of SPM. We provide training on Gojo’s mission and vision, as well as SPM and the CPP, to staff at all levels of our partners’ organisations, from the board to their branches.

Within the first 12 months of the investment, we conduct or ask partners to conduct a CPP self-assessment. We also assist partners to conduct SPI4 Audits, working closely with partners’ SPM committees and CERISE to develop their social goals and social reporting dashboards, and to establish their alignment with the SDGs.

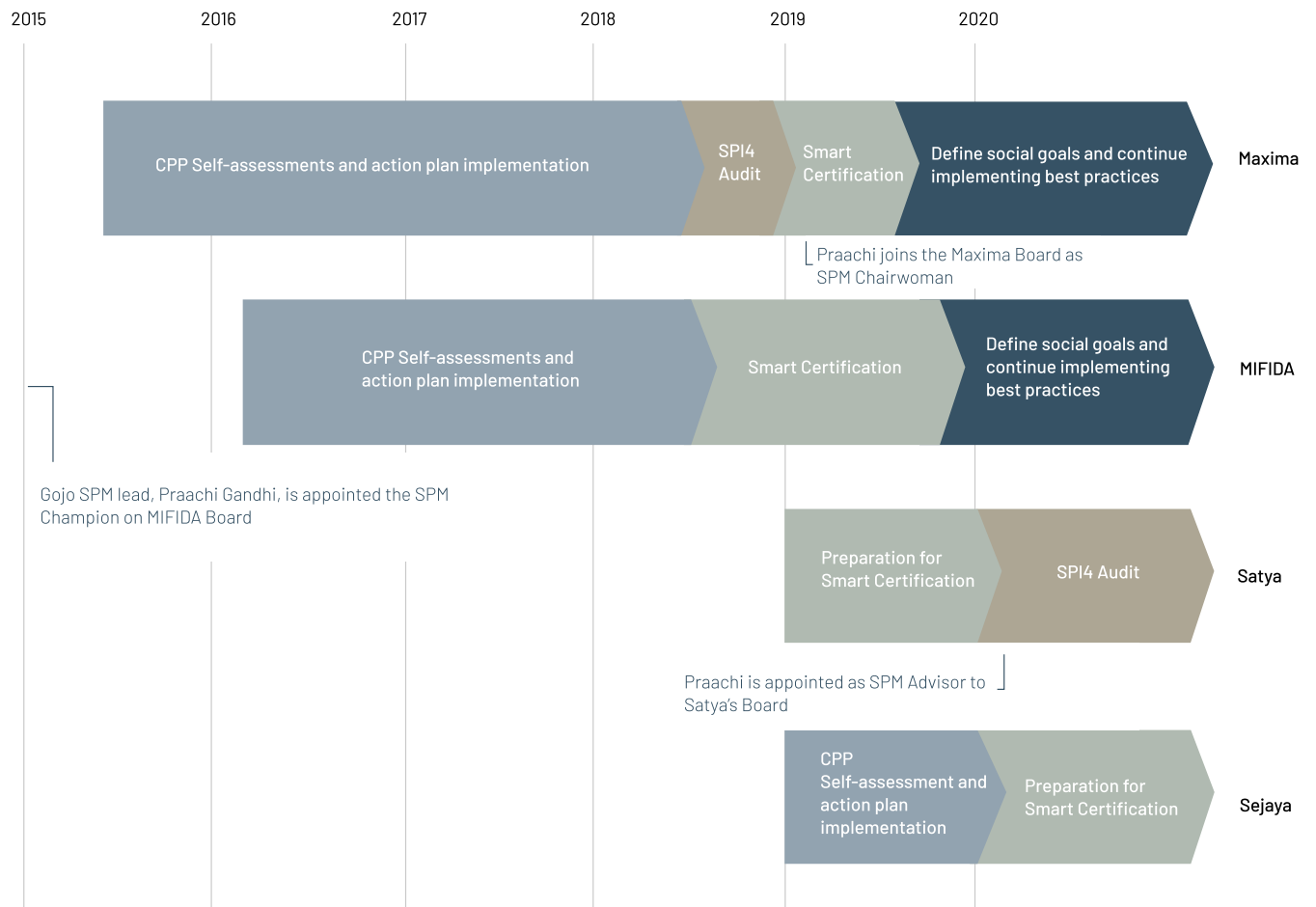
Following each CPP self-assessment and SPI4 audit, Gojo works with partners to prepare an action plan highlighting any gaps in compliance with the principles and standards. We support partners to implement the actions identified, embedding CPP and the USSPM into everyday operations. Through discussions with partners' SPM committees, we work to refine their Codes of Conduct, Complaints Redressal processes, Privacy Policies and other key processes and systems. Once each partner is ready, they apply for Smart Certification.

Experience teaches us that there is no 'one size fits all' method for doing SPM, as each partner has its own strengths and challenges. Nonetheless, recommending the following best practices at all partners has helped us deliver better results and avoid some common risks:

**Table 3 - Common Risks**

Common risks	Potential causes	Relevant best practices from SPM framework
High delinquency rates	<ul style="list-style-type: none"> <li>• Non-compliance with CPP 2: Prevention of over-indebtedness</li> <li>• Inappropriate product/service</li> <li>• Irresponsible pricing</li> <li>• Lack of transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly generate granular PAR reports</li> <li>• Improve client repayment capacity evaluations</li> <li>• Delinquent clients analysis</li> <li>• Review the fit of loan products with the needs of clients</li> </ul>
Client exit	<ul style="list-style-type: none"> <li>• Inappropriate product design</li> <li>• Disrespectful/aggressive behaviour</li> </ul>	<ul style="list-style-type: none"> <li>• Client Satisfaction Survey</li> <li>• Client Complaints Mechanism</li> <li>• Client Exit Surveys</li> </ul>
High staff turnover	<ul style="list-style-type: none"> <li>• No formal HR policy explaining the rights of employees</li> <li>• No employee grievance mechanism</li> <li>• Poor health and safety risk mitigation processes</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct exit interviews with staff</li> <li>• Ensure staff motivational activities and training are as per needs assessment</li> <li>• Ensure compliance with local law and transparency of salary scales</li> </ul>
Reputational risk due to unethical practices	<ul style="list-style-type: none"> <li>• Breach of privacy protection</li> <li>• Coercive collection practices</li> </ul>	<ul style="list-style-type: none"> <li>• Follow privacy procedures</li> <li>• Ensure clients give full permission for the use of their data</li> <li>• Regularly check that there is no practice of aggressive disbursements and collections</li> </ul>

# Our SPM Achievements so far



**Figure 3** - Our SPM Achievements with our partners

"I know this certification comes on the cusp of a lot of effort by Maxima Microfinance Plc, from the executive to the loan officer level. It is, indeed, very well deserved. Once again, congratulations, and thank you for your commitment to your clients and to advancing client protection around the world."

— **Isabelle Barres,**

*Director of the Smart Campaign, on Maxima's Smart Certification*



# Other SPM activities

While Smart Certification and SPI4 audits are important milestones, SPM at Gojo is ultimately about the ongoing, day-to-day work of internalising best practices to become an increasingly socially responsible, client-centered group of organisations. In addition to providing regular training on CPP and the USSPM for branch managers and loan officers, our partners have continuously worked to update and improve their processes, participate actively in the sector, and deliver services that add value to clients' lives.

## **Refining complaints procedures**

In 2016 and 2017, Maxima and MIFIDA formalized their Complaint Resolution Mechanisms and Codes of Conduct. Maxima worked to ensure that clients were informed about their rights to make complaints and provide feedback, and consequently began to receive suggestions and complaints from their clients. This enabled Maxima to begin responding to and resolving complaints, yielding positive results in their Customer Satisfaction Survey the following year.

In early 2020, Satya also began to refine their Clients' Grievance Redressal Mechanism as part of their increased focus on SPM. In addition, they established an Employee Redressal Cell for internal complaints, and a Grievance Redressal Cell specifically for women clients.

## **Contributing to sectoral knowledge and partnerships**

In 2017, Maxima was one of 5 Cambodian MFIs to participate in the MIX Voice of Client Cambodia chapter, and Gojo SPM lead along with MAXIMA SPM Dept worked with the MIX team during the development of the field survey. The findings helped Maxima to further understand clients' experiences and how to better respond to complaints.

In 2019, Gojo held a session on SPM for Ananya's 50+ MFI partners, serving over 4 million end clients in total.

In 2020, we were proud to support CERISE's development of the SPI4 Online Platform, making it easier for international teams to collaborate on and access SPI4 audits.

## **Training and equipping clients**

Our partners' missions focus on empowering low-income people to lift themselves out of poverty and successfully manage their money. Many have developed skills training courses alongside their usual services to help clients to make the most of microloans.

In 2016, Myanmar was a nascent market where low-income communities had little prior experience with financial services. In the absence of a Credit Bureau, MIFIDA was concerned that clients might be vulnerable to over-indebtedness, and decided to hold a Center Chiefs Workshop for leaders of joint liability groups. During the workshop, over 300 Center Chiefs presented role-plays demonstrating their understanding of financial literacy to industry members and officials, including representatives from the Myanmar Financial Regulatory Department. MIFIDA became one of the first MFIs in Myanmar to provide financial literacy training for their clients.

Sejaya and Ananya have a strong focus on women's empowerment, and both take a hands-on approach to equipping their end clients

with useful skills. Since 2016, Sejaya has been providing 'credit plus' services to its women clients and their communities, such as a health and malnourishment program, cancer detection workshops, home gardening projects and training for enterprise development. In addition, in 2018, Sejaya began to recruit and train daughters of center leaders as paid volunteers to support Finance Assistants at branches, with the opportunity to be employed by Sejaya or another organisation after their first year's performance evaluation. Similarly, Ananya has been running a Skill and Enterprise Development Program (SEDP) since 2019 with the support of the Small Industries Development Bank of India (SIDBI) and the UK government's Department for International Development (DFID), aiming to provide entrepreneurship training and starter loans to 7,000 women.

### **Adding value to clients' lives, communities, and the environment**

As socially responsible organisations, Gojo's partners have also worked to benefit their employees and communities in ways that go beyond their mission.

Maxima, for instance, has demonstrated their commitment to sanitation and the environment through various initiatives, including their 2015-16 Cleanliness and Health Promotion Project, where it provided handwashing workshops for clients' children; a tree planting campaign 'Each One Plant On' in 2016; and their decision to go entirely plastic-free at their Phnom Penh headquarters in 2018.

As of early 2020, Satya, Ananya and AVIOM are all involved in helping to meet basic needs of clients and communities affected by the Covid-19 crisis. Satya launched a Toll Free Medical Helpline for clients, staff and their families, and the three companies have been helping to distribute essential items such as food, medicine, and water to clients, migrant workers, senior citizens, widows, poor farmers and sanitation workers.

"The biggest value-add is that at Gojo partners, the teams have intensified their commitment and dedication to SPM through the process of building trust with me. Even though Gojo fully supports all partners, ultimately it is the fabulous teams at Gojo's partners that 'make it happen'! SPM means doing smart business from your heart. You can never go wrong! Microfinance is first and foremost about loving the people we serve."

**- Praachi Gandhi,**  
Gojo's SPM lead

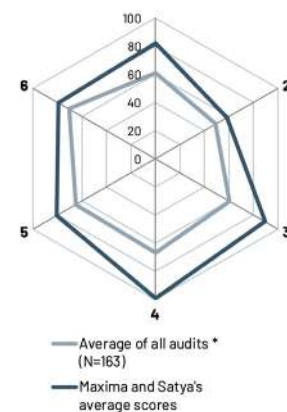
# Our SPI4 Benchmarks

In addition to developing and maintaining the SPI4 tool, CERISE also gathers SPI4 audit data from users. They use this to produce average scores from all quality audits, enabling financial service providers to compare their social performance with that of peers.

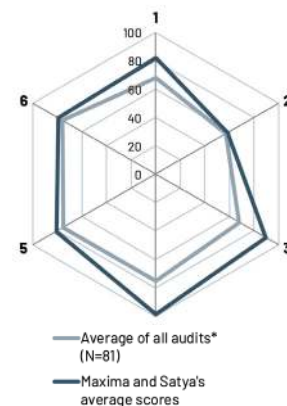
SPI4 audits have been completed so far in two of our seven partner companies, Maxima and Satya. We have used CERISE's March 2020 benchmarks to compare their results against those of other financial service providers.

Maxima and Satya's average scores outperformed those of all SPI4 audited organisations, as well as those of regional and for-profit peer groups, across all six dimensions of SPM. Maxima and Satya performed particularly well in Dimension 1: Define and monitor social goals, Dimension 3: Design products that meet clients' needs, and Dimension 4: Treat clients responsibly, demonstrating both companies' ongoing commitment to delivering client-centred, useful services.

Maxima and Satya's average scores slightly underperformed benchmarks by 6 points on one sub-element, 6D: Compensation. We take the need to ensure that compensation is in line with our social goals and mission seriously, and have incorporated this element, along with other key areas for improvement, into our action plans following the SPI4 audits.



**Figure 4 -** Social performance compared to other for-profit financial service providers



**Figure 5 -** Social performance compared to a regional peer group (South and Southeast Asia)

**Table 4 - SPI4 Scores (March 2020)**

Universal Standards of SPM	Average score of all quality audits from SPI4 CERISE database (N=378)	Average score for Maxima and Satya	Difference between the average of all audits* and the Gojo SPI4 scores
<b>Dim 1 Define and monitor social goals</b>	<b>60</b>	<b>82</b>	<b>22</b>
1A - Social strategy	70	78	8
1B - Reporting of client-level data	51	86	35
<b>Dim 2 Commitment to social goals</b>	<b>50</b>	<b>58</b>	<b>8</b>
2A - Board accountability	45	54	9
2B - Senior management accountability	46	62	16
2C - Staff accountability	59	60	1
<b>Dim 3 Design products that meet clients' needs</b>	<b>62</b>	<b>90</b>	<b>28</b>
3A - Client needs and preferences	53	86	33
3B - Benefits to clients	70	93	23
<b>Dim 4 Treat clients responsibly</b>	<b>70</b>	<b>99</b>	<b>29</b>
4A - Prevention of over-indebtedness	76	100	24
4B - Transparency	76	98	22
4C - Fair and respectful treatment of clients	72	100	28
4D - Privacy of client data	68	100	32
4E - Mechanisms for complaint resolution	57	97	40
<b>Dim 5 Treat employees responsibly</b>	<b>68</b>	<b>86</b>	<b>18</b>
5A - HR policy	67	86	19
5B - Communication of terms of employment	76	93	17
5C - Employee satisfaction	60	79	19
<b>Dim 6 Balance financial and social performance</b>	<b>71</b>	<b>80</b>	<b>9</b>
6A - Growth rates	73	91	17
6B - Alignment of objectives	74	78	4
6C - Responsible pricing	80	100	20
6D - Compensation	56	50	-6
<b>Total score</b>	<b>63</b>	<b>82</b>	<b>19</b>







Group loan customers in Cambodia being served by a Maxima loan officer.  
3% of the population are Muslim, who live peacefully in a Buddhist majority nation.  
/ Taejun Shin

Other initiatives for impact measurement will help us go beyond simply collecting data on high-level outputs to achieve a truly deep understanding of our clients' lives and outcomes. Long-term financial diaries projects will give us detailed weekly data on our clients' income, borrowing and spending, which will yield insights into how our products and services impact clients' ability to manage their money. These feedback loops will be essential for building empathy and testing our hypotheses as we pilot new services and seek to learn what our clients find most useful.

Seeking to understand our clients' lives is one of the most important ways we live out our values to **Stand by Our Clients, Listen First, Learn-Think-Share**, and **Be Genuine**. We believe it is vital for our pursuit of a more equal world— a world where everyone is able to determine their own destiny.

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Please reach out if you have feedback on this report or would like to collaborate with us on impact measurement or SPM.

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