

# Impact Report 2020



A customer of MIFIDA running a retail shop in Yangon, Myanmar / Taejun Shin

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# A Word from our CEO Taejun

Dear readers,

It is my pleasure that we issue our second impact report.

Thanks to the support from our group companies, we managed to incorporate more data into this year's impact report. I sincerely appreciate their efforts.

When we look back on what has happened during the last 12 months, we cannot avoid talking about the impact of Covid-19, though we have already heard it discussed so many times by so many other people. Any shocks almost always hit the vulnerable the hardest. The strict lockdowns in developing nations wiped out most of the income-generating activities on which our end clients relied. The World Bank estimates that 150 million people will be pushed into extreme poverty due to the Covid-19 pandemic.

The positive news is that many developing nations are recovering from the pandemic despite some exceptions, and many clients are optimistic about their future. Many of them have said, "it should be alright as long as lockdown is not imposed again," and I hope that our clients will show their resilience just as they have done over the last few decades. Also, the previous 12 months have considerably accelerated our digitalization initiatives. For example, at Satya, more than 90% of loan collections became cashless. Maxima launched an agent-network-based digital loan program; the number of clients is increasing by approximately 50% month on month.

The last 12 months have made us realize the importance of microfinance again. The first role of microfinance is to stabilize people's consumption through various instruments, primarily through savings and loans. We should help our clients make sure that food is on

the table every day. Also, we should work to support our customers to access various business or life improvement opportunities.

As there will inevitably be the next pandemic or large-scale climate disasters down the line, we have to review our services to be well prepared for the future.

To truly support our end clients, we need to understand the reality, not wishful narratives within which even veteran practitioners can often be trapped. Seeing the facts is not easy, especially when our lens is that of a financial institution. To our end clients, MFIs are an important funding source for a rainy day, so it is natural that they tell us rosy stories. We have to overcome the temptation to see things as we wish.

To understand the reality, sometimes I randomly visit villages without being accompanied by any of our MFI colleagues and interview the villagers. Although these visits are always immensely insightful, the data tends to be qualitative and unstructured and thus has limitations.

To complement these field visits, we are starting our financial diaries project in Cambodia with support from JICA. In this project, we will collect detailed longitudinal data on all respondents' cash flow activities. Stuart Rutherford, our board member, pioneered this methodology two decades ago, and it has proved to be of immense value to help us understand our typical clients. It is a key project for our impact measurement, and we are hoping to run the same exercise in more countries of operation in the future.

I hope you enjoy reading the report. We welcome any constructive criticism or feedback.





# Gojo's Vision, Mission, and Guiding Principles

## 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 members at  
a recent team meeting on Zoom /  
Gojo & Company

## Guiding Principles

Our Guiding Principles are inspired by Greek philosophy, and centre on the trinity of Truth, Ethics, and Aesthetics, together with the principle of Consistency. We reference the Guiding Principles in all of Gojo's policy documents and strive to follow them in everything we do.

<b>Truth:</b>	Think and behave rightly
<b>Ethics:</b>	Do nothing with which we cannot face our clients, family, and friends
<b>Aesthetics:</b>	Pursue the best quality, the best efficiency, and the best simplicity
<b>Consistency:</b>	Be consistent in what we believe, what we speak, and what we do

## 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  
Empathy

### 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.

# A Word from Baillie Gifford Shin Nippon

Baillie Gifford Shin Nippon investment trust believes in the power of capital to promote positive social change.

We think very carefully, not just about generating strong returns for our clients, but also about how potential portfolio companies can address the needs of society and change the world for the better.

As investment managers tasked with seeking out Japan's most exciting growth companies, we see a close alignment of our goals with those of Gojo.

Why? Because despite all its recent economic gains, Asia still contains a significant proportion of the world's poorest people. Linked to that, according to the Global Findex, over 780 million Asians are still 'unbanked'. They lack access to the commercial loans and other basic financial products that would help them attain the basic necessities of life.

Like Gojo and its partner lenders across Asia, Shin Nippon believes that access to financial services, enhanced by the possibilities of digital and mobile technology, is the best route to economic participation. Microfinance, lending for affordable housing and SME financing all help to promote social mobility as well as presenting a growth opportunity in countries where vast

sections of the population lack access to benign sources of capital.

Investing in Gojo is a new departure in the 35-year history of Shin Nippon. It's the first lender of its type in which we've taken a stake, the first whose field of operations is entirely outside of Japan, and one of the first private companies in our portfolio.

We're proud to invest in Gojo because we share Taejun Shin's vision of how best to bring sustainable benefits to the world's poorest. It's a goal that fits well with Shin Nippon's wider promise to its shareholders: to do well for them, while supporting companies whose products make life better for their customers.

Praveen Kumar

Manager

Baillie Gifford Shin Nippon Plc





Girls in a children's home supported by Satya MicroCapital / Taejun Shin

# How We Translate Funds into Impact

As a holding company, a key focus of Gojo’s work is raising funds from investors aligned with our mission and channeling those funds into partner companies to expand their reach and strengthen their impact.

## Funds raised

79% of Gojo’s investors said their main reason for investing in Gojo was alignment with Gojo’s mission, vision and values, or the desire to invest in social impact.

## Due diligence

We conduct a rigorous due diligence process with potential investees, incorporating the ALINUS indicators into our process. We focus particularly on their alignment with Gojo’s mission and ability to achieve both financial sustainability and social impact.

## Capital injection

In 2020, we invested \$49 million in our partner companies to expand their businesses and support their continued growth.

## Recruitment and retention

We recruit world-class talent from diverse backgrounds, and work to create a supportive, principled culture where everyone can be their best selves. In our anonymous March 2021 employee satisfaction survey, 92.5% of respondents agreed with the statement, “I am proud to work at Gojo.”

## Management support

We spent \$5.9 million on Gojo’s operating costs this year, enabling us to provide management support to partners according to their needs.

## Operations

We work with partners to improve local operations, implement best practices, and develop effective policies and processes. If necessary, the Operations team also facilitates turnarounds.

## Finance

We help partners to find and negotiate debt funding to support their operations.

## Governance

In 2020, we strengthened our governance by moving toward a three-committee board structure and formalising our processes for monitoring and reviewing partners’ business performance.

## Technology

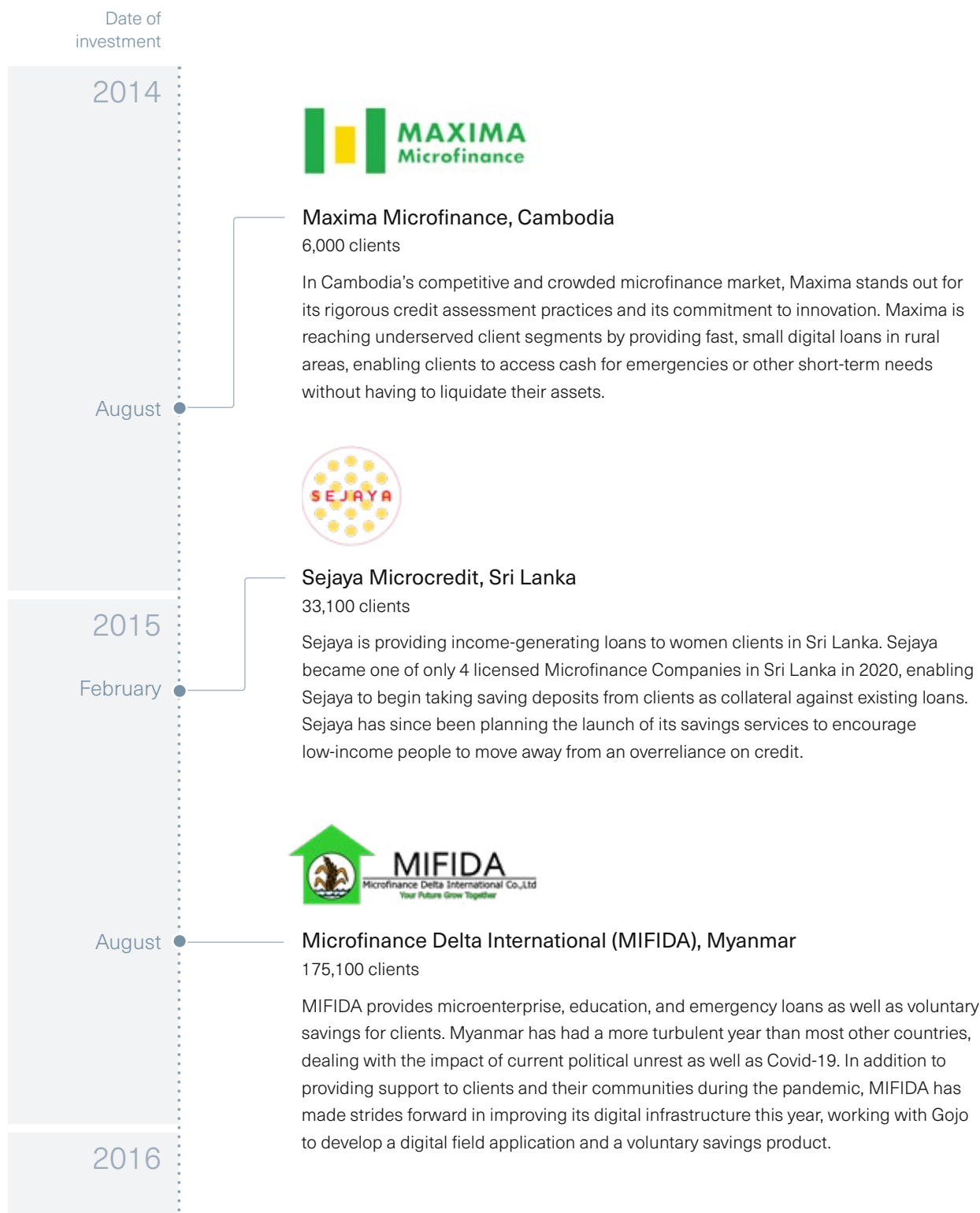
We laid the foundations of Gojo’s tech infrastructure, developing our Digital Field Application, and starting work on Gojo’s customer app and data lake.

## Impact measurement and Social Performance Management

We identified impact measurement leads at each partner and implemented data collection for a core set of outcome indicators tied to our own financial well-being framework.

# Our Partner Companies<sup>1</sup>

1. Client numbers correct as of end March 2021









## Our Commitment to the SDGs

As a business whose core mission is to enable financially excluded people 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 inequalities**.

At the same time, given (i) the different products offered by our partners, (ii) the role Gojo plays in supporting partners' governance and operations, and (iii) the fact that 98% of our clients are women, our work also touches on Goal 5: Gender equality, Goal 6: Clean water and sanitation, Goal 7: Affordable and clean energy, and Goal 16: Peace, justice and strong institutions.

This year, we disbursed over \$276 million in loans to over 730,000 clients. We have expanded the range of Impact Reporting and

Evening dance exercise in Phnom Penh.  
People pay 10-50 cents to join in /  
Taejun Shin

Investing Standards (IRIS+)<sup>2</sup> and SDG-aligned indicators that we collect, while continuing to work on implementing the financial diary projects and outcomes-focused indicators that will give us a deeper understanding of who our clients are and how their lives are changing through our services.

**Table 1 - Contributions towards SDG targets**

SDG targets	KPIs	March 2019	March 2020	March 2021
1.2. By 2030, reduce the number of people living in poverty at least by half	Total number of active clients <sup>3</sup>	340,562	558,783	732,978
	% of rural clients <sup>4</sup>	87.0%	87.2%	86.8%
10.2. By 2030, empower and promote the social, economic and political inclusion of all	Rural clients' % of loan portfolio <sup>5</sup>	64.0%	74.7%	86.0%
	Savings balance (voluntary and compulsory)	\$1,700,600	\$4,828,000	\$7,215,000
5.a. Give women equal rights to economic resources	% of women clients	99.7%	98.5%	98.0%
8.3. Encourage the formalisation and growth of MSMEs, including through access to	Number of SME clients <sup>6</sup>	N/A	15,403	31,848

2. IRIS+ is the generally accepted system for measuring, managing, and optimizing impact, developed by the Global Impact Investing Network

3. Excluding Ananya and Loan Frame's enterprise clients

4. 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 and March 2021 numbers exclude Ananya, Loan Frame and one other group company not reporting on rural clients

5. As above

6. We began collecting this data in 2020. The March 2020 and March 2021 numbers excluding AVIOM, which only lends to individuals, and one other company which does not currently report SME client numbers



# The Impact of Covid-19

The impact of the Covid-19 pandemic on our clients' lives and our partners' businesses has been profound. For those of us fortunate enough to have secure jobs and decent internet, the pandemic has mostly meant a year spent working from home, taking one video call after another. Our clients in India, Myanmar, Sri Lanka, and Cambodia have not been as fortunate. Lockdown has meant loss of jobs and income as businesses have been forced to close. The loss of income and patchy welfare systems have meant dipping into precious savings for daily expenses. Limited access to smartphones and the internet has meant losing contact with family, or jostling with household members for time on shared mobiles. For women and children, staying home has meant a life increasingly circumscribed by gendered caregiving and housekeeping roles, or losing out on months of education.

This crisis forced us to hastily adapt the way we work, while providing the impetus to consider how to build long-term sustainability and resilience into the way we do business. Microfinance has traditionally been a 'people business' with frequent face-to-face touchpoints between clients and staff, but with many clients afraid to attend meetings this year and constantly changing job situations, we have had to make do with seeing clients less and finding other ways to stay in touch.

## **The impact of the pandemic on our clients' lives**

In the early months of 2020, we watched Covid-19 spread across the world and worried about how exactly it would affect our clients and operations.

By the end of April, in Cambodia, more than half the garment factories where our clients worked were either entirely closed or had suspended operations. Clients in other lines of business, such as small restaurants, agriculture or tuk-tuk drivers, were reporting that their income was at 50% to 80% that of their income in December 2019.

In India and Sri Lanka, the first lockdowns started at the end of March, severely restricting the movement of people and goods. Clients' businesses were badly affected. Ananya's SME clients were unable to open their offices and staff were unable to travel to the office or the field, hampering collections and disrupting normal business processes. Loan Frame's SME clients were in much the same boat, unable to either open or repay their loans during the prolonged lockdown. In Sejaya, around 15% of clients, particularly those who were employed as daily wage workers in the transportation and tourism sectors, lost their income entirely.

Even after restrictions were lifted, clients were understandably reluctant to return to attending in-person meetings, with meeting attendance at



A member of the Maxima team waits at the front desk to take the temperature of people arriving at the office / Maxima Microfinance Plc

MIFIDA and Sejaya at 40% and 50% respectively in the middle of the year.

The uneven application of rules regarding travel among different states also created difficulties in India, making some areas inaccessible, while in others, transport services became erratic and expensive, eating into time and margins as our staff attempted to conduct field visits. These transport issues compounded the challenges experienced by India's sizeable population of migrant workers, whose sources of work in cities had dried up with the start of lockdown. With no income, little savings, and unreliable transport networks, millions of migrant workers were forced to make their way on foot along the highways back to their villages, hundreds or even thousands of miles away.

### Our response

By early March, we were forced to confront the fact that 2020 would be a year unlike any other. To keep abreast of the impact of Covid-19 on our partners and provide any support needed,

including funding, in time, we began regular biweekly catch ups with all partner management teams to monitor the changing situation. We began to consider the client protection risks that might come with the pandemic. Gojo's SPM department shared recommendations for best practices with regard to hygiene and client protection with our partners, and took a firm stand against putting pressure on clients to pre-pay their loans when we heard rumours that some microfinance providers were doing this.

To protect staff, each company has been responding dynamically to the situation as outbreaks continue to come and go in our various locations. In addition to closing the offices and encouraging staff to work from home as case numbers have risen, Gojo and our partners put in place stringent guidelines for staff regarding mandatory mask-wearing, temperature checks, hand washing, and social distancing, particularly for staff who were required to continue visiting clients in the field.

Another key concern for staff during this time was job security. Early in the pandemic, Gojo, Loan Frame, and Sejaya took steps to reassure employees of the continued security of their jobs over the next year, and Gojo and all partners were able to continue paying staff their full salaries this year without furloughing or laying off any employees due to the pandemic.

To date, 174 out of 5,294 employees (3%) across the group have been infected with Covid-19.

While clients' meeting attendance remained low for much of the year, our partners managed to stay in contact by checking in with clients on the phone. Regular phone contact enabled Maxima and Sejaya to monitor clients' changing situations regularly and make decisions about the timing of moratoriums and disbursement which balanced client protection with financial sustainability. For instance, thanks to its insight into clients' real situations, Sejaya made the decision to restart disbursements in July 2020, at a time when most

other companies were not disbursing yet. They were able to disburse US\$5.2 million in loans between July 2020 and February 2021 and increase their client base by 7,454 (~30%) during this period, while keeping PAR 30 on loans disbursed during period low at 0.2%. Maxima was able to reduce its dropout rate by 6% compared with the previous year while continuing to maintain good portfolio quality, with PAR 30 of 1% at December 2020, compared to an average of 2.1% across the Cambodian microfinance industry, and an average of 5.7% at similar non-deposit taking Cambodian MFIs.

The pandemic also drove home the need to digitalise services as soon as possible among many of our partners. MIFIDA, Maxima, and Sejaya began working with Gojo's technology team this year to implement digital financial infrastructure such as our own Digital Field Application (DFA), client app, and a new core banking system. In time, these systems will enable us to improve the speed and reliability of our services, while providing additional channels for receiving rapid feedback from clients in times of crisis. In the meantime, MIFIDA and Maxima were able to adapt to the lack of in-person meetings by encouraging clients to switch to cashless repayments through local mobile money services such as Wave and Wing Money, with MIFIDA successfully switching 60% of clients to cashless repayments. Satya's long history of investing in digital transformation stood them in good stead this year, with the successful implementation of their cashless collection process through Satya Pay. Over US\$33 million (>90%) of Satya's collections in 2020-21 were cashless. In addition, Satya launched an Android application for clients, called Satya Client Connect, enabling clients to access key information and



A poster created by Satya to promote good handwashing habits / Satya MicroCapital Ltd





A Sejaya client receives a support package from staff / Sejaya Microcredit Ltd

updates about services and repayment anytime, anywhere. Through the app, clients can not only access up-to-date information about their loans and repayment schedule, but also request emergency loans and auto-dial Satya's toll free number.

In addition to helping clients manage their loan repayments, our partner companies supported our clients and their communities who were hardest-hit by Covid-19 by providing grants, cash assistance, emergency loans, and supplies to those badly affected. Sejaya provided food supplies to 522 clients who were infected with Covid-19 and self-isolating, and also raised around \$5,000 in Covid-19 donations for clients. Ananya donated around US\$3,400 worth of ration kits to 250 vulnerable people, including sanitation workers, senior citizens, widows, and disabled people. MIFIDA provided special emergency loans to 3,480 clients whose businesses were struggling due to pandemic restrictions and who needed additional investment to rebuild, as well as over US\$8,000 in cash grants to clients who had been

infected with Covid-19 or who were facing business difficulties.

### **Spotlight on Satya's initiatives supporting their community**

We especially wanted to highlight the particular effort made by Satya this year to look after the wellbeing of their employees, clients, and community. Two initiatives which stand out are the implementation of a toll-free medical helpline for all employees, clients, and their families, and Satya Rasoi, an ambitious initiative to support the migrant workers travelling on foot back to their villages.

As Kusum, Assistant Vice President for Social Performance Management at Satya, writes, "Amidst the enforcement of national lockdown, one crucial challenge was how to make marginalised communities aware of the relevance of preventive measures such as quarantine and social distancing in the midst of their struggle to ensure the next meal for their families."



Volunteers for Satya Rasoi provide food and drinks to migrant workers travelling home / Satya MicroCapital Ltd

The toll-free helpline was introduced as a way to enable Satya's clients and employees to easily access free medical consultations and prescriptions from doctors without having to physically travel to clinics and hospitals. Satya worked with HealthAssure, India's largest primary care network, to make phone consultations available 6 days a week, from 9.30am to 7pm. They used text messages to inform clients of the service, and had Satya field staff demonstrate how to access the helpline to clients, while collecting feedback on the service. As of August 2020, over 70,000 clients and their family members had made use of the medical helpline.

Jyotshna Rui Das, 35, a client in Asansol, West Bengal, had been suffering from a fever together with her son for several days, and had self-medicated with medicine from a local pharmacy without consulting a doctor. When their condition did not improve, she heard about Satya's medical helpline, and was able to get a prescription from a doctor to properly treat

herself and her son. She said, "Satya's medical helpline is a good step by the company in the current crisis because we have limited health services in our village, and we can't go to cities for treatment. It not only addressed my health problem but helped me learn more about the risks of Covid-19."



A flyer explaining how to use Satya's toll-free medical helpline / Satya MicroCapital Ltd





Migrant workers form a long line as they wait to receive food and relief packets / Satya MicroCapital Ltd

In addition to the medical helpline, in May 2020, Satya launched a food distribution initiative, Satya Rasoi, to support the millions of migrant workers forced to walk hundreds of miles back home. By building on its existing connections with local administrative bodies and wide network of field staff, Satya was able to mobilise cooks and volunteers in over 35 locations across Assam, Punjab, Haryana, Rajasthan, Uttar Pradesh, Madhya Pradesh, Jharkhand, Chhattisgarh, Bihar, Odisha, and West Bengal to deliver fresh, nutritious meals to migrants walking along the highways. In total, Satya was able to distribute fresh meals and relief packets to over 400,000 migrant workers over the course of 15 days.

### **The outlook from here**

The Covid-19 pandemic continues to wreak havoc across the world, and despite the rollout of vaccinations in most countries, it will be a long time until our clients are able to safely go about their lives as they did before. In the short term, we continue to respond to successive waves as they

come, staying in touch with our clients' needs for restructuring and additional support, while managing business needs for liquidity.

In the long term, our work on digital transformation will give us more ways of hearing from clients, understanding their real needs, and responding rapidly to crises.

As Taejun says in his foreword, many people continue to display optimism about the future despite the challenges of the previous year. People will eventually begin dreaming and planning for the future again, and we now need to consider the role our services ought to play in helping to rebuild their lives. The savings products we have been working on will help clients conserve resources for future plans, while our financial diary projects will help us to develop sensitivity to what people want to do, so that we can develop services that help them to do it.







Yan Sina sits proudly at her silk loom /  
Maxima Microfinance Plc

## Keeping a traditional craft alive

Yan Sina, 35, is a married mother of one who lives in Prek Luong, Kandal, Cambodia. She learned the traditional craft of silk weaving from her mother, and started her own silk weaving business in 2014 after marrying her husband. After a few years, she was approached by a credit officer from Maxima to see if she might be interested in using a loan to expand her business. Sina discussed it with her husband, and decided to apply for a US\$2,000 loan from Maxima to pay for business inputs.

She says, “I took a loan from MAXIMA to buy silk fabric for my weaving business to produce silk skirts, and it has helped me to create embroidering and dyeing jobs for women in my village. They can do their tasks at home while receiving income. Because of this, they don’t need to travel to a neighboring country just to find jobs.”

The business has enjoyed remarkable growth and has many orders from customers at the local market. “Everything we produce is unique and is created with passion. We work hard to offer the best quality silk fabrics to customers,” Yan Sina says.

She adds, “I am really thankful to MAXIMA for supporting our business, which is important to me not just as a business but as our valued Khmer tradition. Thanks to the growth in my income from this loan, we’ve been able to fully support our child’s school fees and renovate our house.”



Sitaben Zala engages  
50-60 women in the business of  
embroidering blank fabric for city vendors /  
Prayas Financial Services Ltd

## Helping clients survive the pandemic

Sitaben Zala is a longstanding client of Ananya's partner, Prayas, and runs a business procuring and embroidering blank fabric from vendors in city markets for the creation of sarees, dupattas, shawls, and traditional dresses. Since taking her first loan from Prayas six years ago, she has been able to expand the business such that she now engages 50 to 60 women from neighbouring villages in the work of hand-embroidering fabrics.

The Covid-19 lockdown in India brought her business to a complete standstill for four months. Even after the restrictions eased, Sitaben and the women working with her struggled to earn enough, as the city vendors' business slowed, and there was less work to be had than before.

During lockdown, Prayas offered a moratorium to borrowers like Sitaben, easing the pressure on their finances. Even after the end of the lockdown and moratorium period, Prayas continued to monitor its clients' situations, and did not pressure Sitaben to repay beyond what she genuinely could during the period. The Prayas team also shared information with Sitaben and other clients about the precautions needed to protect their families from Covid-19, and provided advice about prudent financial behaviour to cope with these difficult times.

By September 2020, Sitaben's household finances were back to normal and she was able to return to her regular loan repayments. When asked if the loan had been a source of stress for her this year, she said that she instead sees loans as a blessing for women like her, who run small businesses and need to increase their families' earnings. She plans to use loans to continue growing her business after this year.



Shanti Devi worked with her husband to build a profitable bamboo products business from scratch / Satya MicroCapital Ltd

## Persevering with big dreams

Shanti Devi, 34, lives with her husband and 3 children in Badhdin, a small village in Jharkhand, India. Both her and her husband's family made their living from making and selling bamboo products such as fans, mats, and baskets to middlemen for extremely low prices. Since childhood, she had dreamt of becoming an entrepreneur to cut out the middlemen and sell the bamboo products directly for higher margins.

She decided to take a step forward and managed to persuade her husband and in-laws to start a bamboo business by borrowing some money from relatives, neighbours and a private moneylender. But the high rate of interest on the moneylender's loan ate into their profits, and they became unable to save any money and eventually had to sell their land. Their debts began to mount up, and Shanti Devi's husband began suggesting that they should shut the business down.

At this time, Shanti Devi heard about the group loans offered by Satya from some neighbours, and promptly attended a centre meeting to find out more. After discussing with her husband, she applied for a loan of Rs.21,000. She used half of this to pay off their debts to money lenders, and the

rest to fund business inputs. Over the next couple of years, they were able to double their monthly sales, and by increasing production, were also able to start selling their products in big central markets for twice the price in the local market.

When the first wave of Covid-19 hit India, Shanti Devi was unable to take her products to the market, and with the country in lockdown, she struggled to meet her family's basic needs, keep the business going, and repay her loan from Satya. Upon consulting Satya's field officer, she decided to make use of the RBI's Loan Moratorium Facility to relieve the pressure on her finances. She also received cash assistance of Rs.45,000 from Satya after the lockdown, and was able to adapt to travel restrictions by selling their bamboo products door-to-door.

Her business improved with the easing of restrictions, and she was able to increase production further and sell their products in the big central markets again. At the encouragement of Satya staff, she has started saving regularly, and the increase in her income over the past couple of years has enabled her to start sending her two daughters to private school.



Pradeepa stands in a shed with three of her cows / Sejaya Microcredit Ltd

### From one cow to a sustainable income

Pradeepa lives in Kegalle district, Sri Lanka, with her husband, their 5-year-old child, and her mother-in-law. Her husband's income from casual labour was not sufficient for the family's needs, so 8 years ago, she began dairy farming with one cow to supplement the household's income. After some time, she wanted to buy more cows to increase her milk yield, but was unable to find the money to do it.

In 2018, however, she heard about Sejaya's services and obtained a Rs.40,000 loan to develop her business. Today, 3 years later, she is on her third cycle with Sejaya, with a loan of Rs 200,000. Using these loans, she has been able to buy three additional milking cows and three calves. Her business has now become the family's largest source of income, earning around Rs.90,000 per month.

Pradeepa is now planning to get another loan from Sejaya to further improve her business by erecting a new cattle shed and purchasing a three-wheeler to transport grass to feed the cows. She looks forward to the future in the expectation of a sustainable income.



## Research and Innovation

### Designing a savings app

One of the defining characteristics of poverty is precarity, or vulnerability to sudden shocks. The pandemic has had a profound impact on the world's poor and near-poor, as income sources dried up and daily foodstuffs became harder and harder to obtain. Surveys of over 30,000 respondents from Africa, Asia and Latin America have shown that from country to country, between 9% and 87% of respondents (median share 45%) were forced to miss meals or reduce portion sizes from April to June 2020.

This study, in addition to data from our partner company MIFIDA and Stuart Rutherford's Hrishipara diary data, also tells us that savings

were a key source of additional cash during the period, as many households either drew down their stored cash or sold assets to pay for daily needs. In the medium to long term, the World Bank estimates that up to 150 million people will be pushed over the brink into extreme poverty by the pandemic. Given these circumstances, creating useful ways for low-income people to save has never been more important.

With this in mind, we began considering how we could develop more effective savings solutions for clients. We decided to begin with MIFIDA, our only partner with a license for taking voluntary savings deposits, but which typically had low usage of savings accounts. After a round of desk research

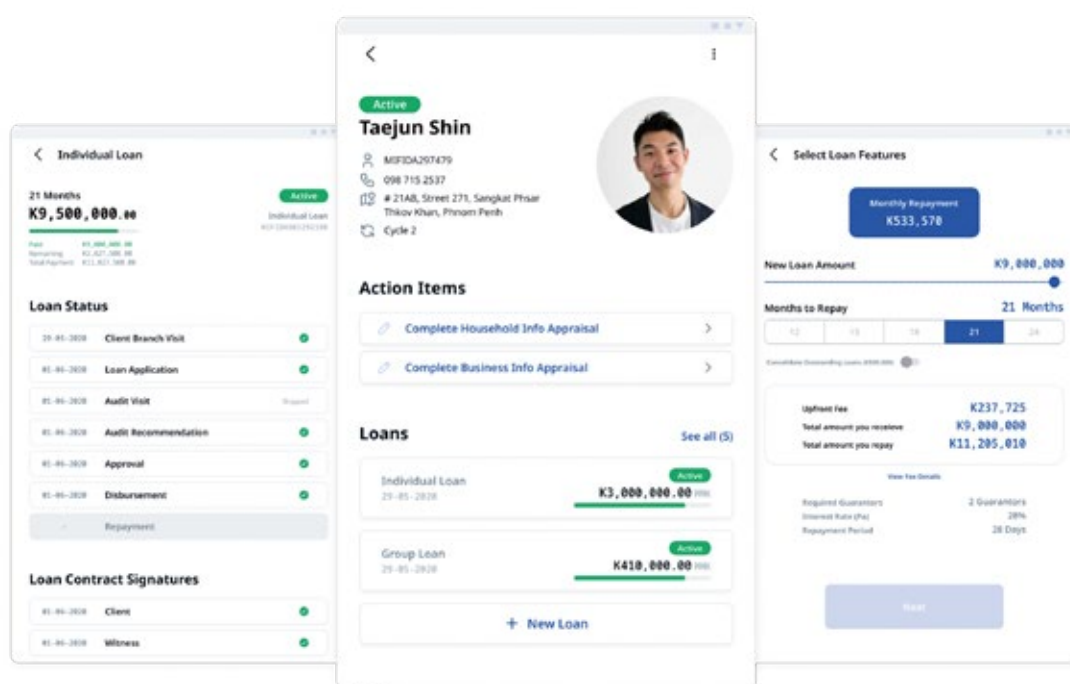


to understand best practices in various countries, we engaged Prudentia Research, a consultancy in Myanmar, to conduct a series of interviews with a number of low-income people in Myanmar to understand attitudes towards saving. The findings affirmed our hunch that low-income people look for a combination of convenience and discipline in savings mechanisms—that it is useful to have both the flexibility to deposit and withdraw whenever they like, as well as features which encourage them not to cash out unnecessarily, especially when saving for a goal.

While these two needs may seem contradictory, in reality they make sense. For most low-income households, savings are not necessarily an end in themselves, but a way of moving money from the present to the future. Future needs can be predictable, in which case they can be framed as savings goals, or unpredictable, in which case savings would need to be withdrawn quickly and easily.

Based on this, we put together a design for a digital savings app with two account types: a flexible general savings account, and goal-based savings accounts. Both would use mobile money services for deposits and withdrawals, but the goal-based savings accounts would have self-imposed controls around the timing of withdrawals which would make it harder to cash out on impulse. Keeping in mind that many low-income people in Myanmar still do not have smartphones, or share smartphones with family members, we also designed several different ways to enable clients to receive balance updates through SMS, phone calls, QR codes, or an app.

While we have not yet been able to start work on the app in Myanmar due to the current situation, we believe that with a few adjustments, the underlying ideas can work well in other countries too. We are currently working with Sejaya to adapt the design to a Sri Lankan setting, where licensed microfinance institutions are allowed to take collateral deposits.





Field Officer taking photos of a new M-Lady client using Gojo's DFA / Koh Terai

### Developing our Digital Field Application

Alongside broader digital transformation efforts, this year also saw Gojo's technology team working closely with MIFIDA and Maxima to develop and implement our very own Digital Field Application (DFA), called Gojo Bridge. The DFA is a mobile app which will digitise all of credit officers' touchpoints with clients, from loan application to regular repayments. At the moment, loan applications and collections in many MFIs are heavily paper-based, consisting of manual processes which are tedious for clients and credit officers, while also being prone to human error. These processes not only make obtaining a loan a complicated and lengthy process, but also mean that a lot of data which could otherwise be used for business or impact analysis is not being captured in any usable format.

With the DFA, every credit officer and agent will have a dedicated tablet running the custom-made, cloud-connected application. This will allow for the optimisation and automation of most operations, enabling credit officers to concentrate more on the

human side of their interactions. We expect that most processing times will be vastly reduced. For instance, the separate tablet application we launched for the M-Lady Project in Cambodia succeeded in cutting the waiting time for the approval of a loan from roughly three days to under two minutes, thanks to automated credit assessment logic. Individual productivity increased to the point that a single agent is able to serve two or three times the number of clients that can be served by an entire physical branch, albeit for loans of smaller sizes. The new DFA will reduce processing times and increase productivity in a similar way, while taking the automation of operations even further.

A first version of the DFA has been ready since February 2021, when we planned to launch it with our Burmese partner MIFIDA. It supports MIFIDA's loan process flow and is built with an offline-first philosophy, allowing for all actions to be performed regardless of the mobile data connectivity at the client's location.

Because of the political turmoil afflicting Myanmar, the launch of this first version has been postponed. In the meantime, Gojo's technology team has continued working on the product, expanding its capabilities and preparing it for launch also with our Cambodian partner, Maxima.

### **Update on Maxima's small digital loans project**

It has now been a year since Maxima launched its small digital loans service, known as the M-Lady Project, and we wanted to share an update with readers of our impact report.

This project was designed to offer small cash loans to financially excluded people in order to meet their daily needs. To justify the economics of the business, we developed a digital process of disbursement and collection with our own agent network (called M-Ladies) and a partnership with a third-party remittance provider.

Since its launch in early 2020, Maxima has registered 1,236 new clients on their platform via this project, with 32 M-Ladies. Feedback from clients has been quite positive, especially on the price, speed and relationship with their local M-Ladies. Due to our business model with lower operational costs, the price is set at the cheapest level in this segment, and disbursements take place within several hours of loan application at the latest. Clients regard M-Ladies as their kind neighbours, rather than white-collar MFI staff.

Tomohiro Isozaki, COO and Deputy CEO of Maxima, says, "We are glad to see the rapid growth of the project with two kinds of impact. One is the impact to the clients. We are building creditworthiness based on community trust, while providing a convenient service, which is surely

helping the clients improve the quality of their daily lives. The other is the impact on M-Ladies. We are empowering the local community by creating jobs, and sharing knowledge and skills with those involved. We are always impressed by how our local agents are motivated to learn new technology and financial skills."

### **Financial diaries**

For the past year or so, we have been working with Japan International Cooperation Agency (JICA), one of our shareholders since 2019, to plan a financial diaries project with 120 diarists in Cambodia. Unfortunately, due to the outbreak of Covid-19 in Cambodia in February 2021, the field work required to launch the project has been unable to proceed as planned. We are monitoring the Covid-19 situation in Cambodia continuously and hope to launch the project as soon as safely possible this year.

In addition, we are working with Sejaya to plan a financial diaries project with a group of clients, with whom we are also piloting the use of savings boxes. The financial diaries will track how low-income people use savings boxes alongside other financial services in their everyday lives. Building on previous studies on savings boxes done by Innovations for Poverty Action and others in Malawi and Kenya, the data will help us to understand the impact of providing a simple savings box for free to microfinance clients in Sri Lanka, where low-income people have long been reliant on loans, rather than savings.



Maxima's M-Lady digital team with a M-Lady at her house right after a community gathering / Koh Terai



# Impact Measurement

Since mentioning in last year's impact report that we would introduce new standardised measures across the group and building field-level feedback loops into our decision-making, we have made significant progress towards strengthening Gojo's impact measurement.

We began by creating a financial wellbeing framework which sets out the outcomes we hope clients will be able to achieve through our services. In line with our value, "Stand by our clients", we are calling it Gojo's Client-Centric Framework. It is a working document that we aim to update as we learn more about what success looks like for our clients and our role in helping them achieve it.

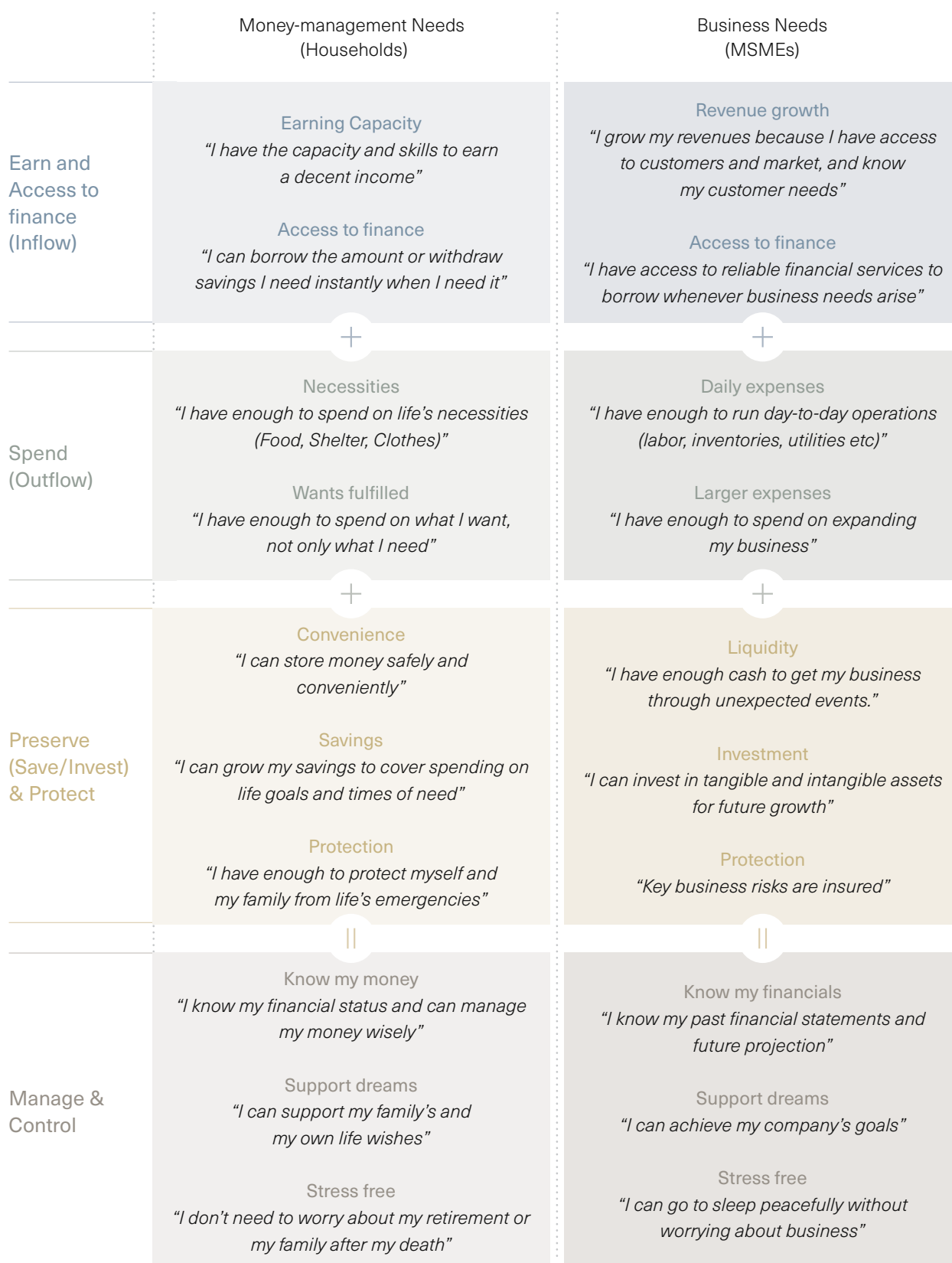
Based on the outcomes in the framework, we developed a standardised set of impact indicators, which we are now working to implement with each partner's impact measurement lead. Starting from a much larger set of indicators, we prioritised the data points which would be most feasible to collect using partners' current systems and yield the most actionable insights. This gave us a list of 10 or so core indicators on which we will now collect data through the loan application form, client satisfaction surveys, and exit surveys.

This core set includes indicators that will shed light on outcomes such as the quality of financial access, increase in income over the term of the

loan and clients' ability to spend on needs and wants. Drawing inspiration from Innovations for Poverty Action's Financial Health Survey Manual, we include questions such as, "Imagine that you have an emergency and need to pay 1 month of your income. What would be the main source that you would use to come up with this money within the next 30 days? What about in the next 7 days? How easy or difficult would it be? What about if you would like to invest 2 months' worth of income in a business idea in about 6 months' time?" We hope the data collected through these surveys will tell us more about the quality and quantity of options available to clients.

We know that the process of developing useful indicators is iterative and requires a certain amount of trial and error. Over time, as we learn more about our clients through the financial diaries and our impact indicators, we will also learn which questions are most useful to ask, and where the key gaps in our knowledge are.

## Gojo's Client-Centric Framework



**"I determine my own future"**

= Gojo's mission where everyone can determine their own future



# Our Governance Framework

In 2020, Gojo's Board of Directors took several significant steps to strengthen Gojo's Corporate Governance framework and operations to support the company's long-term sustainable growth, while maximizing value for all stakeholders.

The first step was shifting the Board structure to the three statutory committees model, with Nomination, Remuneration, and Audit Committees to perform the function of a monitoring board. In addition, the Board of Directors established a Board advisory committee named the Impact Committee. The Impact Committee will provide inputs on critical management decisions from the perspectives of impact to end clients to ensure that Gojo does not deviate from its mission. The Board will take the Impact Committee's view into consideration while making its final decisions.

The second initiative was the establishment of an Executive Committee consisting of the management team, to assist Gojo's CEO's judgment from various perspectives: Technology, Operations, Strategy, Finance, Investment, and HR, among others. The Executive Committee is positioned as the center of group management.

The final piece is the appointment of a new Outside Director, Royanne Doi, an Ethics and Corporate Governance specialist. The company expects her to bring high governance and ethics

standards to the management of Gojo group.

Upon joining Gojo's Board, Royanne said, "I am honored to serve on Gojo's Board as an independent director. My first touch point with microfinance banking was in 2010. I made a contribution to the capital of a fledgling microfinance bank, which was focused on unbanked women and farmers in India."

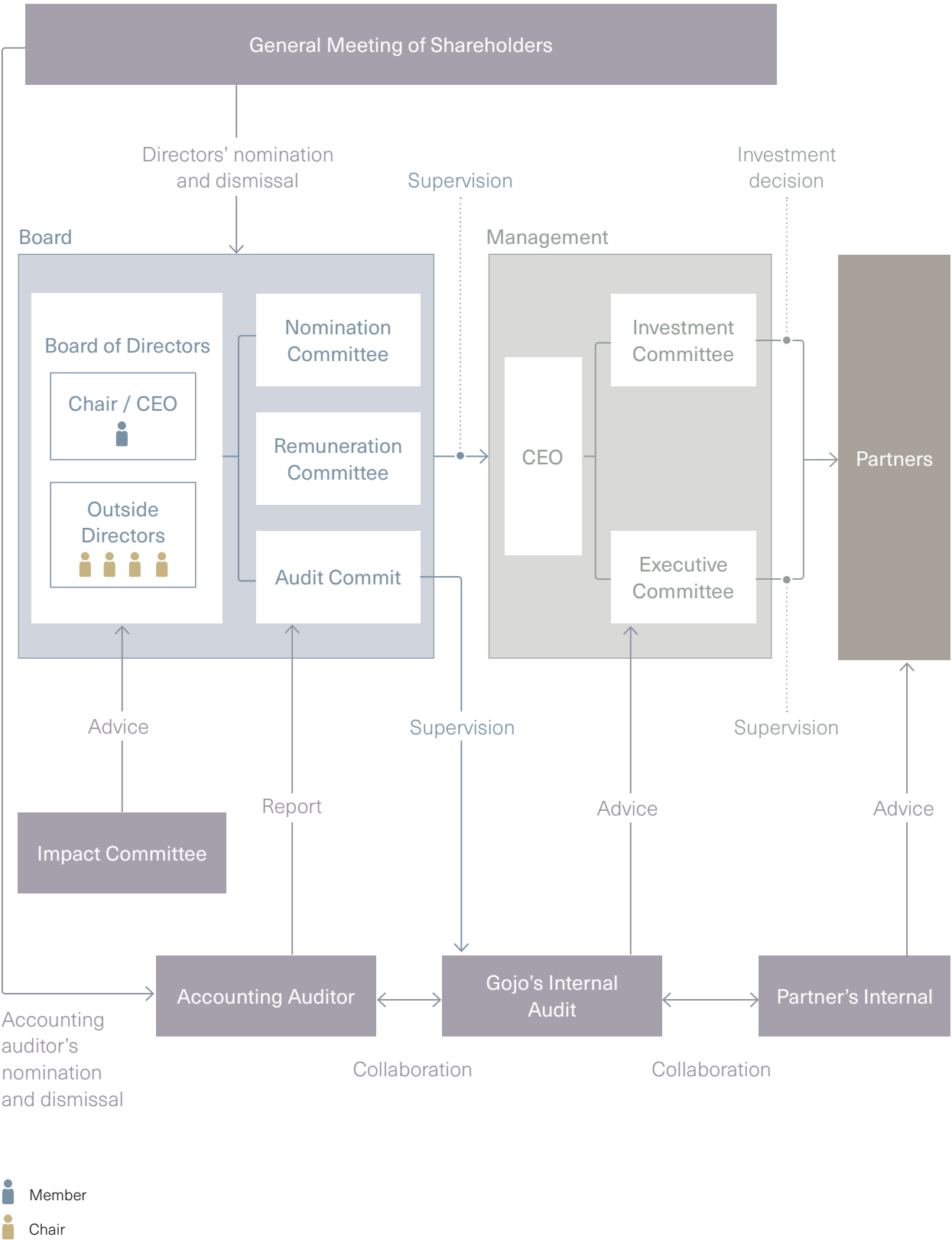
Gojo considers Corporate Governance the foundation which will enable us to achieve our vision, mission, and 2030 goal of delivering high-quality financial services to over 100 million people, while carefully monitoring the implementation of our management principles and five values, collectively known as the Guiding Principles. Therefore, since our establishment, Gojo has adopted additional efforts beyond the statutory requirements of the Japanese corporate act. In the coming years, we are committed to continuing our pursuit of the highest standards of Corporate Governance.

# Corporate Governance Structures and Systems

## Corporate Governance System (as of 31st March 2021)

Type of system	Three Board Committees: <ul style="list-style-type: none"><li>• Nomination Committee</li><li>• Remuneration Committee</li><li>• Audit Committee</li></ul>
Number of Directors	5 (4 of whom are Outside Directors)
Number of Executive Officers	1 (CEO)
Term of office for all Directors	1 year
Management Committees	Gojo has 2 internal Management Committees: <ul style="list-style-type: none"><li>• Executive Committee deliberates on company-wide management policy and important issues</li><li>• Investment Committee deliberates on new and additional investment decisions for partner companies</li></ul>
Advisory committees to the Board of Directors	The Impact Committee is established to assist the board such that it always takes into account clients' interests in Gojo's decision making. The Impact Committee also supports and monitors the activities of the Impact Measurement and R&D departments.
Independent external auditor	Deloitte Touche Tohmatsu LLC

Overview of Gojo's Corporate Governance and Internal Control System



# Role of the Board and Board Committees

Name	Composition	Primary role
Board of Directors	1: CEO & Director 4: Outside Directors	The Board's role is to act in Gojo's best interests and add value to the company on behalf of the shareholders and all other stakeholders. The Board monitors the deployment of resources and capacity to check it is done in the most effective manner. They do this through policy formulation, strategic guidance and performance monitoring, and oversight of management. The Board also ensures that the Company does not deviate from its Guiding Principles.
Nomination Committee	1: CEO & Director 4: Outside Directors	The Nomination Committee is responsible for nominating Director candidates and recommending Executive Officer candidates to the Board in order to support the Company's strategic objectives. The Committee also conducts Board effectiveness evaluations.
Remuneration Committee	3: Outside Directors	The Remuneration Committee is responsible for determining the individual remuneration of Directors and Executive Officers.
Audit Committee	3: Outside Directors	The Audit Committee is responsible for ensuring the continued independence of the accounting auditor, overseeing the accounting audit process, reviewing the expertise, resources, and experience of Gojo's finance function, and overseeing Gojo's internal audit function, internal controls, financial reporting, and risk assessment management.
Impact Committee	1: CEO & Director 2: Outside Directors	The Impact Committee focuses on whether and how Gojo improves client's lives. The Committee assists the Board in making the right decisions by reviewing and monitoring the company's overall activities and policies from the end clients' perspective. Specifically, the Committee works to ensure that clients are at the center of corporate strategy, decision-making, organizational design, and operations.

# Board and Committee Composition

Name & Role	Year of the first appointment	Independent	Committee Composition			
			Audit	Nomination	Remuneration	Impact
Taejun Shin Founder & CEO Board Chair	2014	—	—	●	Observer	●
Mangyo Kinoshita Outside Director Remuneration Committee Chair	2015*	●	●	●	●	—
Masahiro Kotosaka Outside Director Audit Committee Chair	2018	●	●	●	●	●
Stuart Rutherford Outside Director Impact Committee Chair	2019	●	—	●	—	●
Royanne Doi Outside Director Nomination Committee Chair	2021	●	●	●	●	Observer

●: Member   ●: Chair

\* Mangyo Kinoshita served as Gojo's Statutory Auditor between June 2015 and Feb 2021.

# Meeting Attendance and Reasons for Selection as Director

Name & Role	Attendance of Board Meetings in FY2020	Reason for selection as a Director
<b>Taejun Shin</b> Founder & CEO Board Chair	12/12	Since founding Gojo in July 2014, Taejun has been at the helm of the Group's management, achieving remarkable growth for the Group. As Board Chair and CEO, Gojo anticipates that Taejun will continue to enable further growth toward the Group's vision.
<b>Mangyo Kinoshita</b> Outside Director Remuneration Committee Chair	12/12	Mangyo Kinoshita is an attorney qualified to practice Japanese law and California law. His expertise in cross-border M&A, joint venture, strategic alliances, private equity, venture capital deals, and socially responsible projects at non-profit organisations and local authorities helps Gojo to ensure our global expansion is conducted in a socially responsible manner.
<b>Masahiro Kotosaka</b> Outside Director Audit Committee Chair	12/12	Masahiro Kotosaka is an expert in internationalization strategy and early-stage business development and serves as an advisor or non-executive director to several start-ups and multinational companies. He brings a global standard of management excellence to Gojo's decision-making and processes.
<b>Stuart Rutherford</b> Outside Director Chairman of Impact Committee	12/12	Stuart Rutherford has extensive knowledge and experience as a researcher, practitioner, teacher, and consultant in financial services for the poor in Asia and Africa. Stuart brings vivid insight into the lives of our clients to Gojo's thinking about strategy and product development.
<b>Royanne Doi</b> Outside Director Nomination Committee Chair	1/1*	Royanne Doi is an experienced Ethics and Corporate Governance specialist. Gojo anticipates that Royanne's joining will accelerate corporate governance efforts to enable the sustainable growth of Gojo group.

\* The appointment of Royanne Doi took place in February 2021, and she attended her first official Board meeting as a Board member in March 2021. She has attended the Board meeting as an observer since July 2020.



# In Conclusion: 2021 and Beyond

2020 was a lesson in patience and perseverance for all of us across the group. While some initiatives we had looked forward to were delayed due to Covid-19 and political instability, looking back, we realise that we were nevertheless able to make some significant strides forward in the areas of technology, innovation, impact measurement and governance. The pandemic prompted us to look closely at its implications in our clients' lives and develop a deeper understanding of our clients' needs and money management behaviours than before.

In 2021 and beyond, we will continue to strive for shorter feedback loops and a better understanding of what clients want to do and what is important to them. We will continue our work on digital transformation, which will enable new and more useful analysis of data from the field. As our financial diaries and R&D projects take off, we hope to begin sharing what we are learning with colleagues in the sector, and ultimately to advance the practice of financial inclusion.

In addition, we are in the process of expanding our definition of impact in order to systematically and holistically consider our responsibilities toward all stakeholders, from employees to the environment. We believe that being accountable for our actions in these areas is the next step towards becoming a truly sustainable company.



Villagers gather at an M-Lady's house to learn about the service and register to become members. / Koh Terai





Kids in Haryana, India / Taejun Shin

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Please reach out if you have feedback on this report or would like to  
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