

# Impact Report

2022 July

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# A Word From Our CEO Taejun

The year 2021 was a challenging but fulfilling year for us. We started the year with the news that the COVID-19 vaccine had been invented, but we were not sure when it would be available for people in developing nations.

While many countries were locked down due to the pandemic, the coup in Myanmar toppled the democratic government. I visited the country two months after the event and found that most of the areas were safe and peaceful. COVID-19 claimed many more deaths than the coup per se. For a country where the government was nonfunctional, the disease was literally a fatal blow to the people. Although we don't have the statistics, we have heard from colleagues in Myanmar that many crematoriums were full of people carrying coffins.

The delta variant was rampant in India, especially from April to June 2021. However, when I visited India in late July, most economic activities were back to normal. The visit made me confident about the resilience of the country.

As we enter 2022, we already see worldwide inflation, boosted by the war in Ukraine, contributing to Sri Lanka's default. More bad news could come in during the year.

Despite the challenging business environment, we started business in Tajikistan and achieved one million group clients worldwide in just 7.5 years after the establishment of Gojo. As of March 2022, we serve 1.2 million clients which translate to 6 million people<sup>1</sup>, equivalent to the population of Denmark. We are grateful for what we have achieved.

Our R&D team, whose focus is on thinking about how to benefit the lowest income households, started 'financial diaries' projects in Sri Lanka and Cambodia. Among many other projects, they also published a discussion paper on the "Fit Factor," which proposed a new way of evaluating the impact created by financial institutions.

This year, as we start our Initial Public Offering (IPO) preparation, we are putting impact measurement and social performance management at the centre of our business. This is because the IPO preparation process requires us to commit to even stricter financial control and budgeting, and unless we drastically enhance our social impact stance, mission drift could occur. To exemplify the overall direction, I am going to obtain the SPI4 Auditor qualification, an auditing licence for Universal Standards for Social and Environmental Performance Management.

Some people are sceptical about whether for-profit companies can generate genuine social impacts, but we want to prove that we can overcome the trade-off between profit and impact through continuous innovation. I hope for your unchanging support. Please enjoy this year's Impact Report.



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<sup>1</sup> As per CEOWORLD magazine (<https://bit.ly/HouseholdSize2020>), average size of household in 2020 is as follows: India 4.57, Cambodia 4.61, Tajikistan 5.99, Myanmar 4.22. Given our clients tend to be low income who usually have larger household size, we have estimated average of 5 household members per client.



Some Gojo members at a recent  
Board strategy offsite meeting /  
Gojo & Company

# Gojo's Vision, Mission, and Guiding Principles

## Our Vision

To create a world where everyone can determine their future

## Our Mission

To extend financial inclusion across the globe

## Our Goal

To enable the provision of high-quality financial services to  
100 million clients in 50 countries by 2030






## 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.

 Empathy	<b>Stand by our Clients</b> We strive to see things from the perspective of our end clients so that our services support their goals.
 Integrity	<b>Act on Principles</b> We are guided in all we do by our principles without exception.
 Courtesy	<b>Listen First</b> We always keep an open mind and uphold everyone's right to be heard and respected.
 Wisdom	<b>Learn-Think-Share</b> We challenge the conventional, consider the practical, and share our knowledge with others.
 Trust	<b>Be Genuine</b> We build trust and demonstrate our loyalty by telling the truth without concern for appearances.

# A Word From MARUI GROUP

MARUI GROUP has always been committed to extending financial inclusion to everyone, building upon the founder's philosophy of "credibility should be built together with customers". Since issuing Japan's first credit card in 1960, we have been providing a wide range of financial services mainly to the younger generation.

In order to promote financial inclusion not only in Japan but also across the globe, we set our goal to provide financial inclusion to more than 10 million people around the world by 2050, and have defined this in our long-term vision "VISION 2050". To achieve this goal, we are investing in Gojo & Company, which shares our philosophy of "Co-Creation of Credibility".

Our investments are not pure financial investments, but "Co-creation Investments" for the purpose of collaboration. Therefore, we have been working with Gojo & Company to find ways to provide our customers with opportunities to participate in financial inclusion for developing countries.

After several years of consideration, this became possible through a new fundraising method called digital bonds. The digital bonds, which we call "Supportive Investment", were offered to our individual customers. The bond reached the target amount of 100 million JPY in just 3 hours.

We were amazed at the response which far exceeded our expectations, and have gained confidence in the enthusiasm towards "Supportive Investment" among our customers.

We will further promote collaboration with Gojo & Company to meet the needs of our customers for "Supportive Investment". Through these initiatives, we hope to enhance the relationship between people in developing countries and people in Japan, hoping they contribute to the fulfilment and well-being of each and every individual involved.

We look forward to continuing and building our partnership with Gojo & Company.

Hiroshi Aoi  
President and Representative Director  
Representative Executive Officer, CEO  
MARUI GROUP CO., LTD.



Women selling fruits in Ima Market (mother's market), a market run exclusively by women in Imphal, Manipur / Taejun Shin



# Our History

## 2014

- Seed funding: USD 3mn
- Established Gojo & Company, Inc.
- Invested in MAXIMA (Cambodia)



## 2015

- Reached 10,000 clients
- Founded Sejaya (Sri Lanka)



- Founded Microfinance Delta International (Myanmar)



## 2016

- Reached 30,000 clients

## 2017

- Series A: USD 12mn
- Reached 50,000 clients

## 2018

- The Dai-ichi Life Insurance Company invested in Gojo
- Series B: USD 19mn
- Reached 200,000 clients
- Invested in Ananya (India)



- Invested in SATYA (India)



## 2019

- Series C: USD 42mn
- Reached 500,000 clients
- MAXIMA and MIFIDA obtained Client Principles Certification (CPC)
- Invested in Aviom (India)



- Invested in Loan Frame (India)



- Kick-started several DX projects

## 2020

- Series D: USD 70mn
- Baillie Gifford Shin Nippon invested in Gojo as first international institutional investor

## 2021

- Issued first impact report
- Sejaya obtained MFI license
- SATYA reached USD 150mn AUM, the fastest record in Asia

- Additional investments and consolidation of SATYA
- Transition of corporate governance structure to "Companies with Three Committees"

- Invested in Humo (Tajikistan)



- Invested in MyShubhLife (India)



# Our Group Companies<sup>2</sup>

Date of investment

August 2014

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## MAXIMA Microfinance, Cambodia

9,174 clients

In Cambodia's competitive and crowded microfinance market, MAXIMA stands out for its rigorous credit assessment practices and its commitment to innovation. MAXIMA is reaching underserved client segments by providing fast, small digital loans in rural areas, enabling clients to access cash for emergencies or other short-term needs without having to liquidate their assets.

February 2015

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## Sejaya Micro Credit, Sri Lanka

52,352 clients

Sejaya is providing income-generating loans to female clients in Sri Lanka. Sejaya became one of only 4 licensed microfinance institutions (MFIs) in Sri Lanka, enabling Sejaya to begin taking saving deposits from clients as collateral against existing loans. Sejaya has since been planning the launch of its savings services to encourage low-income people to move away from an overreliance on credit.

August 2015

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## Microfinance Delta International (MIFIDA), Myanmar

128,349 loan clients / 178,729 savings clients

MIFIDA provides microenterprise, education, and emergency loans as well as voluntary savings for clients. Myanmar has had a more turbulent year than most other countries, dealing with the impact of current political unrest as well as COVID-19. In addition to providing support to clients and their communities during the pandemic, MIFIDA has made strides in improving its digital infrastructure this year, working with Gojo to develop a voluntary savings product.

February 2018

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## Ananya Finance for Inclusive Growth, India

32 wholesale partners / 88,041 retail clients

Ananya provides wholesale lending and capacity-building support to MFIs, agrifinance providers, and other small and medium enterprises (SMEs). While Ananya continues to provide support through MFI partners, they are in the middle of a transformation to shift the business focus from wholesale to retail lending through business correspondents, and have grown rapidly to mark 88,041 retail clients this year.

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<sup>2</sup> The number of clients are as of end March 2022.

July 2018

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### SATYA MicroCapital, India

873,163 clients

SATYA is one of the fastest growing MFIs in India's microfinance history, serving 873,163 clients since establishment with a team of over 3,600 employees in just 5 years. SATYA provides group and individual loans, as well as loans for water, sanitation and hygiene (WASH) and energy. SATYA's cashless repayment model proved valuable during the COVID-19 pandemic, and they further demonstrated leadership through their support of local communities affected by COVID-19.

August 2019

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### AVIOM India Housing Finance, India

31,992 clients

AVIOM's mission is to help families in semi-urban areas realise their dream of owning a home. They serve women borrowers who typically work in the informal economy and might otherwise struggle to provide the documentation needed to obtain a loan. In addition to affordable home loans, AVIOM also provides finance for home upgrades and sanitation. Their sourcing model, AVIOM Shakti, provides employment opportunities for rural women by enabling them to earn commissions for referrals to AVIOM.

December 2019

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### Loan Frame Technologies, India

611 SME clients

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 traditional and alternative data, and has automated all major workflows to enable same-day loan disbursements. This year, they have started the SaaS vertical, which will licence the tech / platform they have built to small community lenders, while continuously adding more lenders and anchor corporates.

September 2021

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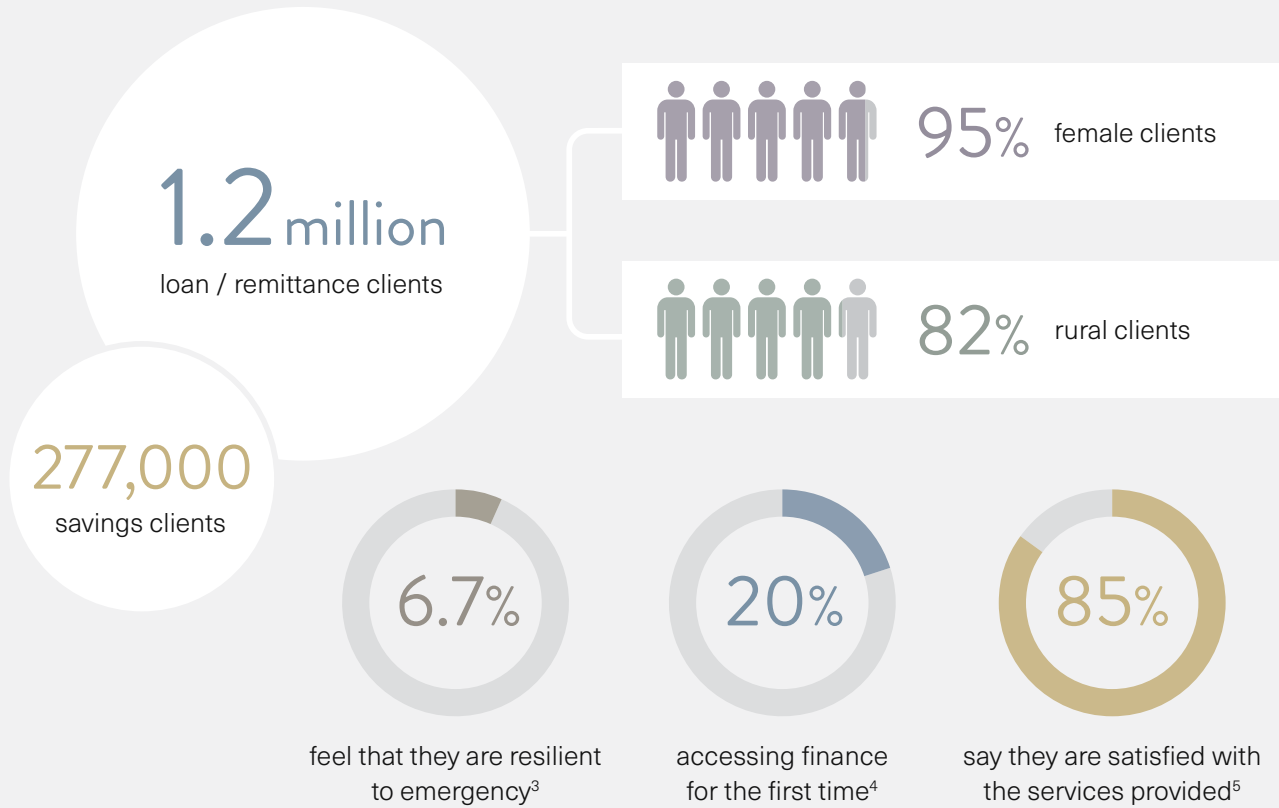
### CSJC MDO Humo, Tajikistan

103,540 loan & remittance clients / 98,715 savings clients

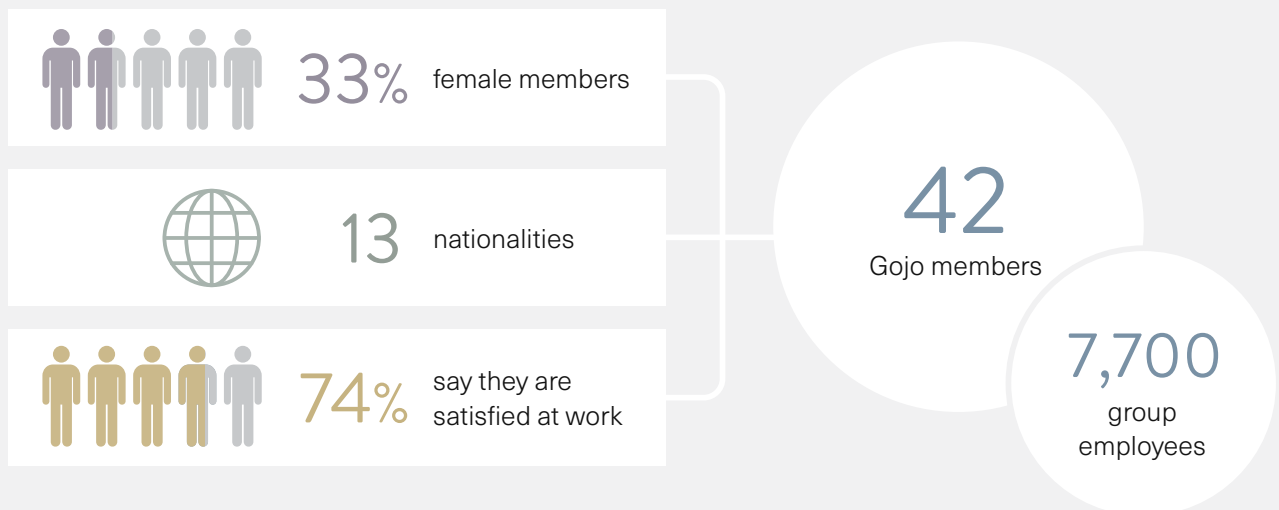
Microcredit Deposit Organization "Humo" is one of the leading MFIs in Tajikistan. Humo provides a wide range of financial services through accessible channels to the population. Positioning itself as a fin-tech, the organisation places a tremendous emphasis on social aspects. To encompass all layers of the population, Humo presents an opportunity to its clients to use a mobile wallet "Humo Online" with mobile banking features.

# Our Impact in Numbers

## Our Clients



## Our People



<sup>3</sup> Weighted average of client numbers for SATYA and Sejaya impact survey 2022. % of respondents who answered "easy" or "somewhat easy" to the question "How difficult would it be for you to come up with 1 month worth of income in the next 30 days?".

<sup>4</sup> Weighted average of new client number for SATYA and MIFIDA.

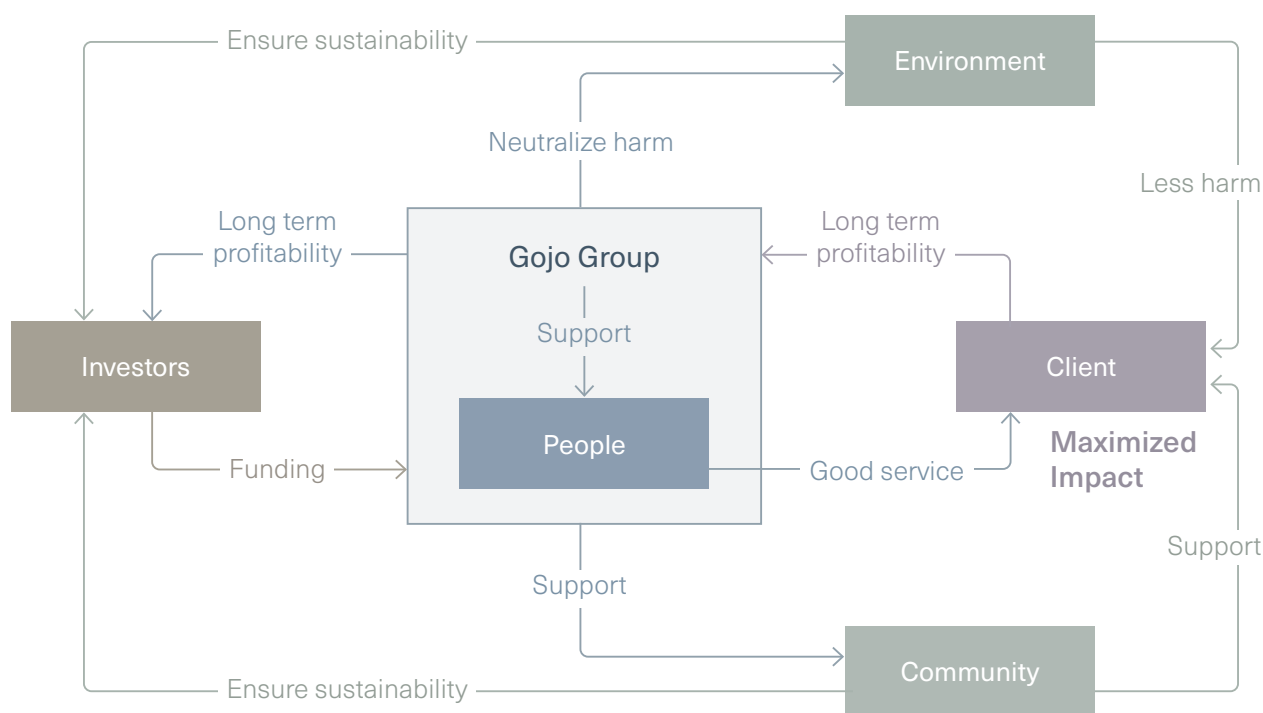
<sup>5</sup> Weighted average of client numbers for SATYA, Sejaya and Ananya's client satisfaction survey (2021-2022).

# Impact Framework

Gojo aims to be the leading financial inclusion platform in the field of impact. We believe that stakeholder impact is the responsibility of all the companies in the Gojo Group. In order to create long-term value, we are committed to maximising

Client impact and extending financial inclusion. At the same time, we focus on bringing positive impact to our People, Environment, Community, and Investors.

Figure 1 – Gojo’s Theory of Change



Gojo’s Theory of Change (ToC) exhibits the process we go through to create stakeholder impact and shows the causal effect each stakeholder has on all the others, which will eventually lead to our Group’s shared vision of financial inclusion for everyone. We raise funds from Investors whose vision, mission, and values

are aligned with Gojo’s. In return for Gojo receiving capital from the Investors, we ensure long term profitability and social impact creation on their behalf. The funds received from the investors are then used to support the Gojo Group’s other stakeholders (for more information, refer to [“How We Translate Funds into Impact”](#)).

Operational excellence by our People is what makes the execution of Gojo's strategy possible. By encouraging their personal and professional development, we strive to enable our People to provide the best possible service to our Clients, leading to more impact. At the same time, we track environmental indicators to ensure that the Gojo Group's operations do not harm the Environment. We also support our Clients' local Communities by giving back through charity and pro-bono activities, as a thriving Community is essential for our Clients' well-being.

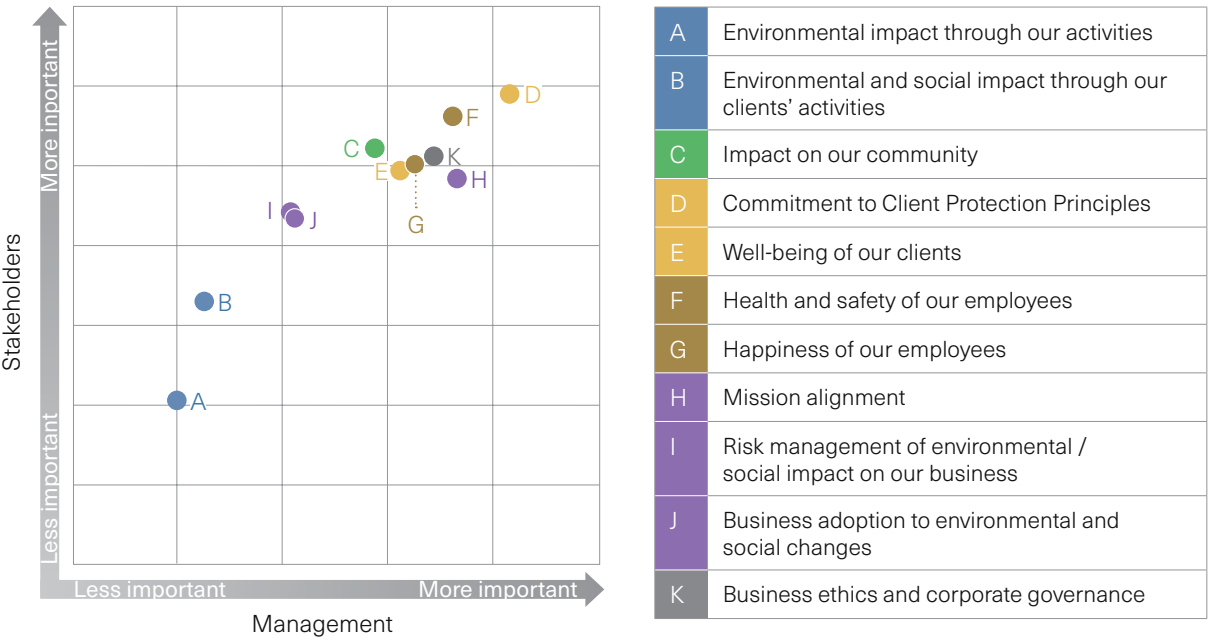
All of the work our stakeholders do, the impact they generate, and how we positively impact them will ultimately lead to maximised Client impact. In turn, our Clients provide us with profits that will ensure our operational sustainability, which guarantees Gojo Group's ability to achieve our mission of extending financial inclusion across the globe.

**Our materiality**

To create long term value for all of its stakeholders, a company must carry out sustainable business activities that incorporate economic, social, and environmental perspectives into its decision-making process. Gojo's materiality defines our focus for all group companies to improve the sustainability of operation and services, taking into account expectations from various stakeholders.

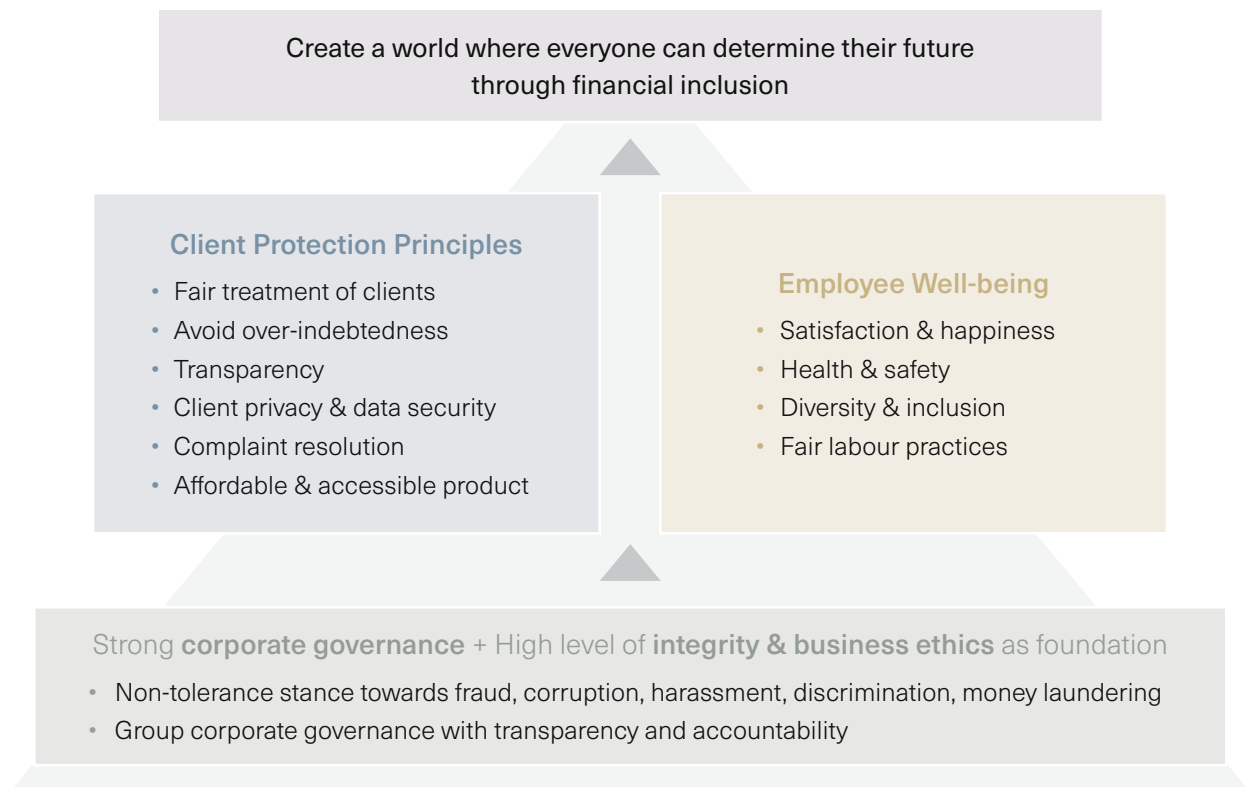
We developed our materiality map by first constructing a list of issues and prioritising them internally. We then obtained inputs from our stakeholders to determine the importance and relevance of each topic to our business and stakeholders. We finalised the map after conducting a workshop and discussion with the Board and the executive team. We have visualised the input from various stakeholders in the materiality map below.

Figure 2 – Gojo Group's materiality map<sup>6</sup>



<sup>6</sup> We conducted a survey of key stakeholders from February 15 to April 13, 2022, in which respondents were asked to rate the materiality of each issue from 1 (relatively important) to 5 (significantly important). The graph's x-axis and y-axis starts from the value 3. Respondents include 3 Board members, 8 Executive Committee members, 12 External (investors, advisors, and NPOs), 6 Gojo members, 6 CEOs of group companies, and 4 SPM leads of group.

Figure 3–Gojo Group’s materiality



Based on our materiality analysis, we concluded that the Gojo Group should focus on following the Client Protection Principles and employee well-being to maximise client impact and realise our vision, based on a strong foundation of governance and business ethics.

**Our commitment to Sustainable Development Goals (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 group companies, (ii) the role Gojo plays in supporting their governance and operations, and (iii) the fact that 95% of our clients are female, 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.





A Cambodian family raising livestock. The family lives with the grandmother, which is common practice in the country / Taejun Shin

## Our Clients

### **Our client outreach**

Gojo aims to empower our clients and their families with high-quality tools to manage their money, enabling them to improve their lives and livelihoods and to determine their own future.

As of March 2022, we have extended our loan products and services to more than 1.2 million clients, catering mostly to female clients who live in rural areas. The amount of loans disbursed has nearly doubled from last year, with more than 600 million USD having been disbursed. Furthermore, we have also broadened our geographical scope to Tajikistan with Humo, the most recent addition to the Gojo Group. We also found that our savings products have reached more than 270 thousand clients, 40% of whose savings are voluntary (as opposed to being required as a condition for borrowing). The savings amount deposited has nearly tripled to more than 22 million USD.



While we are proud of the achievements we have made, we recognize our clients are the relatively “better off” clients within the low-income segment. As we grow and expand our impact, we aim to extend financial inclusion to the ultra low-income households typically with daily income per capita below 1.90 USD PPP (Purchasing Power Parity adjusted), who are not served by for-profit financial institutions and have little or no access to formal financial services. To do this, we strive to find innovative solutions to serve this lowest income segment through our R&D activities. Our non-profit counterpart, [Gojo Foundation](#)<sup>7</sup>, also tries to address this segment through grant projects<sup>8</sup>. Our team continues to put our utmost effort into reaching more individuals and generating greater impact.

**Table 1 – Our client outreach**

Product	KPI we track	As of March 2020	As of March 2021	As of March 2022
Loan	# of total loan / remittance client <sup>9</sup>	574,471	711,474	1,219,106
	% of female clients <sup>10</sup>	99%	99%	95%
	% of rural clients <sup>11</sup>	89%	87%	82%
	% of clients accessing finance for the first time	–	–	20%
	Total loans disbursed (million USD)	244.4	326.5	620.0
Savings	# of total savings clients	–	–	277,444
	% of voluntary savers	–	–	40%
	Total savings amount (million USD)	4.8	7.3	22.3

7 <https://gojofoundation.org/>

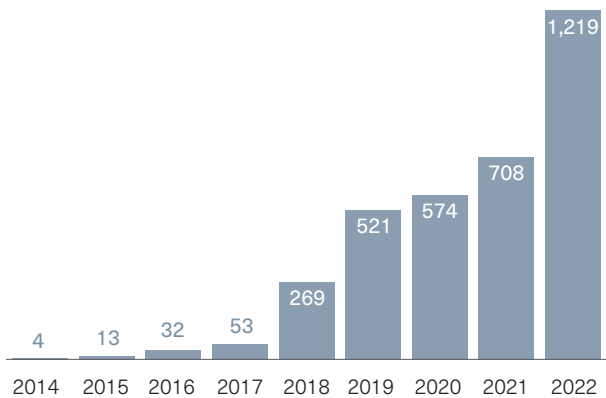
8 Memorandum of Understanding has been executed between Gojo Foundation and Gojo & Company in order to avoid conflict of interest.

9 Excluding Ananya’s wholesale clients and Loan Frame SME clients. Out of Ananya’s retail business end clients, SATYA clients are excluded to avoid double counting.

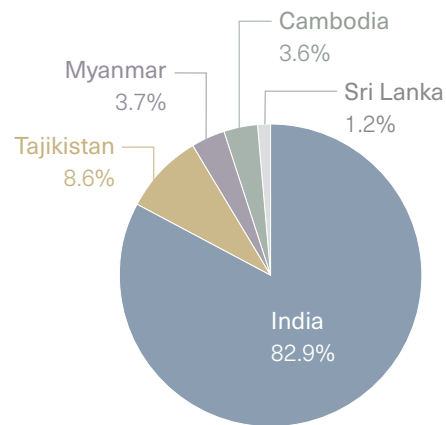
10 Excluding Ananya and Loan Frame clients.

11 Excluding Ananya, Loan Frame and Sejaya clients.

**Figure 4 – Number of loan / remittance clients ('000)**



**Figure 5 – Asset Under Management by Country as of March 2022 (%; Total = 649 million USD)**



### Translating our social mission into reality

Having a social mission is not the same thing as achieving it. At Gojo Group, we put social performance management (SPM) at the centre of our operations. With the implementation of SPM in all parts of the organisation, we strive to ensure that the company management and operations are well aligned with socially accepted values. Gojo encourages group companies to implement two key initiatives to realise SPM — SPI4 Audit and Client Protection Certification.

### SPI4 Audit results

The SPI4 Audit is a social performance audit tool provided by CERISE<sup>12</sup> to help financial institutions achieve their social missions. Two members at Gojo are now SPI Qualified Auditors, enabling the quality of the internal audit to improve by accompanying Gojo Group SPI4 Audits as external auditors. In 2021, Sejaya and Ananya have completed their first SPI4 Audit accompanied by Gojo's SPI Qualified Auditors.

Ananya conducted the SPI4 Audit in the second quarter of 2021 (July to Sept). They have an overall score of 75.6% which is close to the regional average (South Asia average 75.8%).

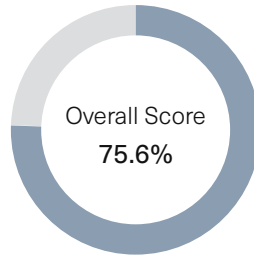
Scores are especially high for Dimension 3 (Design products that meet clients' needs) and Dimension 4 (Treat clients responsibly).

Ananya can improve further on Dimension 1 (Define and monitor social goals) and Dimension 2 (Commitment to social goals). The majority of the gaps are related to documentation and standardisation of the process, as Ananya's business size is relatively small and practice is valued more than formality. On top of that, further board and management attention to SPM will help promote SPM throughout Ananya. These gaps have already been addressed by adopting a formal SPM Policy and setting up the SPM / CSR Committee attended by the board and management. For further information, please refer to [Ananya's SPM Report<sup>13</sup>](#).

<sup>12</sup> CERISE is a non-profit organisation dedicated to ethical and responsible finance, by providing social assessment tools to companies.

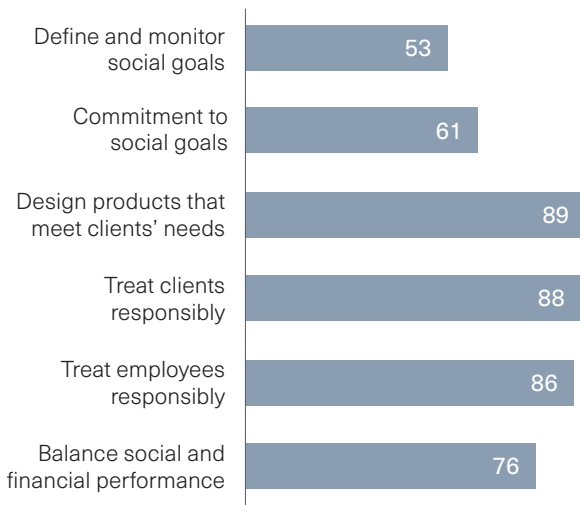
<sup>13</sup> <https://bit.ly/AnanyaSPMReport>

Ananya SPI4 Audit Results (2021)

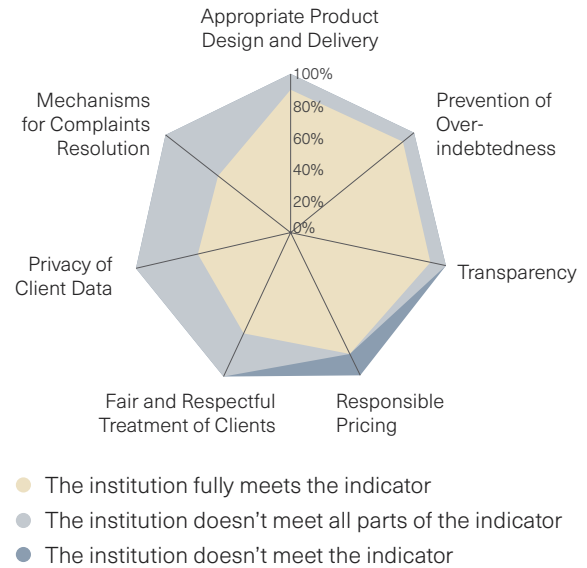


Global Average 68%  
South Asia Average 75.8%

Universal Standards Scores by Dimensions



Client Protection Principles Assessment

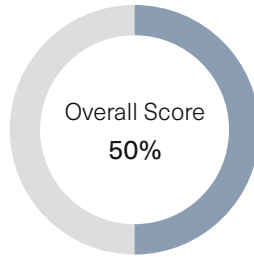


Sejaya also conducted the SPI4 Audit in the second quarter of 2021 (July to Sept). The overall score was 50% which was lower than the global and regional average.

The largest gaps were identified in Dimension 2 (Commitment to social goals) and Dimension 3 (Design products that meet clients' needs). In Dimension 2, we identified a need to further train employees on SPM and put in place performance incentives based not only on financial but also social achievements. Dimension 3 results suggest that the product development process needs to be formalised to ensure that new products take client needs fully into account.

Also, there are some gaps in Dimension 4 (Treat clients responsibly) which is critical as it demonstrates the level of Client Protection Principles compliance.

With a dedicated and passionate SPM lead, Sejaya has taken multiple actions to fill the gap this year: (1) the definition of social goals and Key Performance Indicators (KPIs), (2) setting up a monthly SPM Committee at the management level, (3) conducting SPM training for the management and also at all branches, (4) updating the leaflets and passbooks to reinforce SPM in the field and improve transparency to clients, (5) conducting client satisfaction and impact surveys, and more.

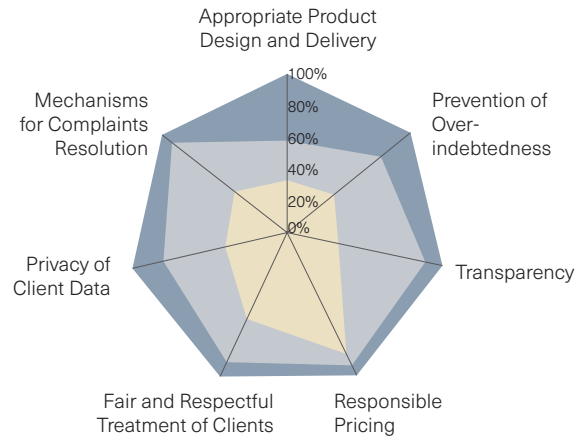


Global Average 68%  
South Asia Average 75.8%

Universal Standards Scores by Dimensions



Client Protection Principles Assessment



- The institution fully meets the indicator
- The institution doesn't meet all parts of the indicator
- The institution doesn't meet the indicator

Client Protection Certification

Amongst the various aspects of Universal Standards of Social and Environmental Performance Management (USSEPM), Gojo believes Dimension 4 representing the Client Protection Principles (CPP) is the most important. To ensure compliance with CPP, Gojo Group seeks third-party assessment and acquisition of Client Protection Certification (CPC) as a result of the assessment. Amongst the group companies, MAXIMA and MIFIDA have obtained the CPC issued by the Smart Campaign. MAXIMA successfully renewed the certification while MIFIDA is about to close the audit soon. Other group companies are also striving to obtain the CPC.



Client Protection Certification—  
MAXIMA and MIFIDA

### Maximising client satisfaction

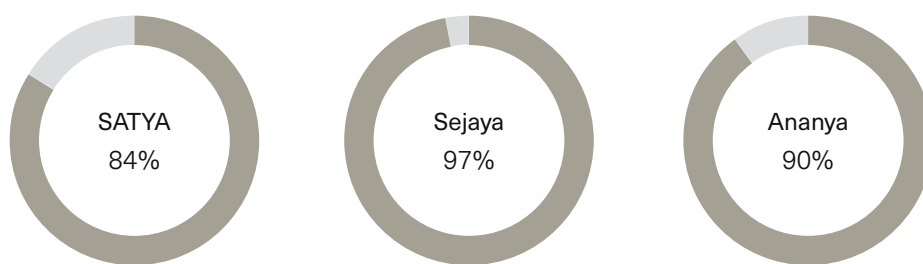
In order to understand how our clients perceive our products and receive feedback from them, Gojo Group conducts regular client satisfaction surveys. During 2021–2022, three of our group companies — SATYA, Sejaya, and Ananya — completed their annual assessments. We are delighted to know that the majority of our clients are satisfied with our products and services.

84% of SATYA's clients<sup>14</sup> reported that they are satisfied with their products. This response is supported by SATYA's customer service, the existence of a complaint submission platform, speedy loan application processes, and the variety of loan products. At the same time, we found out that some of the clients are unfamiliar with the cashless repayment process and SATYA should provide further assistance.

97% of Sejaya's clients think they want to recommend Sejaya's services to others, and the majority of them appreciate the low interest rates and flexible repayment schedules that Sejaya offers. It was also found that only a small number of clients utilise Sejaya's call centre, indicating the need to further increase the awareness and utilisation of the call centre.

Having surveyed a number of their B2B clients, it was found that Ananya's client satisfaction score was 90%. The organisations they serve reported that Ananya has enabled them to strengthen systems and management as well as improve product offerings. One improvement area for Ananya is in the post-disbursement processes. This is mainly due to the fact that agri-based enterprises lack the manpower to process all the paperwork required post-disbursement. Ananya can further consider how to improve the operations to meet the needs of their clients.

### Client Satisfaction Survey Results (2021–2022)



14 The survey was conducted in five Satya branches in West Bengal.

Gojo's Client-Centric Framework



"I determine my own future"

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

### **Our Client-Centric Framework**

Gojo's Client-Centric Framework is a financial wellbeing framework that sets out the outcomes we hope clients will be able to achieve through our services. 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 targeted outcomes in the framework, we developed a standardised set of impact indicators, which we have implemented with our group companies. We collect not only business KPIs but also data through impact surveys such as spending behaviours, resilience to emergencies and sanitation environment. Our financial diaries projects in Sri Lanka and Cambodia provides granular data on day-to-day household cashflows. These rich information helps us understand the reality of our clients' lives.

### **SATYA impact survey results**

SATYA conducted its first impact survey in January 2022. As the aim is to measure progress over time, this year's impact survey will serve as a baseline. Having said that, there is already rich information in the report which tells us about the lives of our clients. Here are some highlights:

- Almost all households' incomes were adversely impacted by COVID-19. 24% of the respondent households have not yet been able to get their incomes back to pre-COVID-19 levels. It seems to be the case that households with two or more income sources are more resilient and have managed to bring back the income level to pre-COVID level.

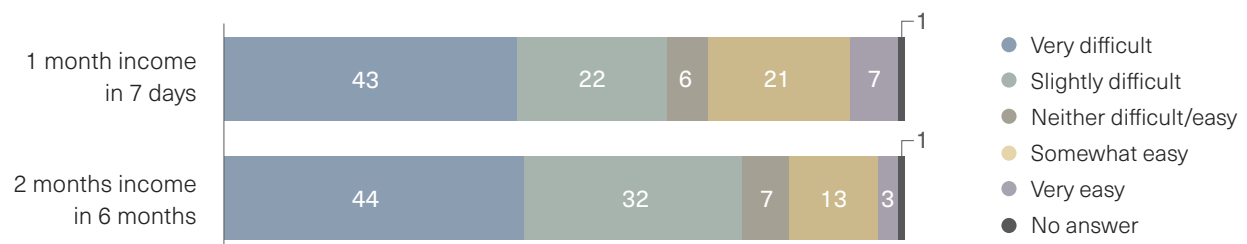
- 68% of the respondents said that the financial decisions in their households were being taken jointly with support from spouse or other members. 18%, however, said that they had no or little say in the financial matters of the households.
- 20% of respondents reported that they would find mobilising funds very difficult. They will usually consider reaching out to friends and families for a source of funds.
- 15% of the respondents reported using a public water source, meaning they needed to spend about one hour per day to collect water. 18% of them reported defecating in the open. SATYA can consider sanitation loans to be offered to clients.
- The average distance of a health facility from the residence of the clients was reported to be over six kilometres. SATYA can consider organising health camps in the locations where the nearest health facility is far off or is unreliable.
- There is a high degree of appreciation of the importance of education among the respondent households. Most of the respondents expect children in their households to complete graduate or postgraduate education.

### Sejaya impact survey results

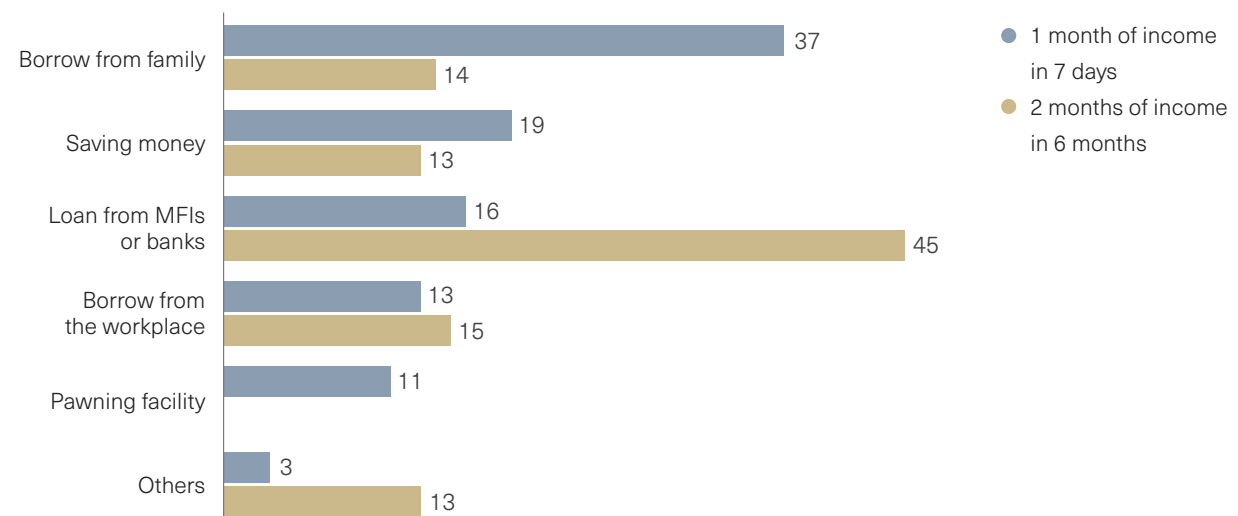
For Sejaya, the overall finding is that the respondents are still experiencing difficulties with money management. About two-thirds of the respondents would find it hard to come up with one month's worth of additional income in the next 7 days, meaning they are not so resilient against emergencies. In such cases, they would rely on relatives and friends, rather than MFIs, which suggests that there is room for improvement in our service offerings. The situation becomes even more difficult when the respondents try

to come up with 2 months' worth of income for investment, let's say to start a new business, over the next 6 months. 65% of the respondents were not able to buy everything they wanted or needed in the past month, and wished to spend more money on house repairs, house building and starting new businesses. It is not surprising to see this result given the devastating situation of Sri Lanka today. There is much room for Sejaya to support the clients in need of support, and we will measure how well this has been done in our next impact survey.

**Figure 6** – Sejaya clients' difficulty level of coming up with emergency funds in a given time period, % of respondents (n=350)



**Figure 7** – Sejaya clients' sources of income to rely on for coming up with emergency funds, % of respondents (n=350)





## Savings

Savings is important for financial inclusion. It helps people “Preserve and Protect”, an outcome promoted by our Client-Centric Framework. From this year, we have started tracking our savings clients, and what impact savings is bringing on our clients. The tracking will especially focus on voluntary savings — as this is closer to regular savings product as compared with compulsory savings (which serves more as collateral to loan clients).

With Humo newly joining the Gojo Group, the overall savings amount tripled to 22 million USD, of which voluntary savings account for 14 million USD. At Humo, they have two types of savings services: 1) term deposits — which are often used for large spendings (such as ceremonies or buying assets) and 2) ordinary savings products — which

are used for transactional purposes (linked with remittance services and plastic cards).

MIFIDA's voluntary savings are opened by clients who wish to improve their creditworthiness with the company, which is why the balance is small and has a limited number of transactions. As a general trend, people in Myanmar have shifted from savings accounts to cash savings kept in their premises (such as money hidden in their wardrobe or converting cash into gold), since withdrawal of money has become quite troublesome post coup. However this trend should change as the situation improves in the country, and MIFIDA will push to create more voluntary accounts. From April 2022, compulsory savings accounts are converted to voluntary savings accounts at the end of the loan term automatically if there is a certain savings balance remaining.

**Table 2** – Outreach and characteristics of our savings products (Data as of March 2022)

	Humo	MIFIDA
# of voluntary savings clients	59,845	50,380
Voluntary savings amount (USD)	11,007,742	2,896,678
Median voluntary savings balance per client (USD) <sup>15</sup>	212	8.4
Median deposit amount per client (USD) <sup>15</sup>	109	12.8
Median withdrawal amount per client (USD) <sup>15</sup>	102	1.6
Median # of voluntary savings transactions per client	n.a	2
% of active voluntary savings accounts <sup>16</sup>	59%	n.a

<sup>15</sup> Converted to USD using the market conversion rate as of Mar 31, 2022 (1 USD = 1,778 MMK and 1 USD = 12.96 TJS).

<sup>16</sup> Active savings accounts are the total # of accounts minus accounts unused for 6 months or more.





Jayshreeben Shah supports her family with a profitable retail business / Prayas Financial Services Ltd

## Achieving a sustainable diversified income

Jayshreeben Shah is a married woman who lives in a semi-urban location in Chandkheda, Ahmedabad, Gujarat (India) with her husband, a brother and a sister. She is self-employed, trading clothes (dupattas, leggings, dress material/fabric, kurtis) from her home. She has been a client of Prayas, an Ananya partner MFI, for the last 5 years and took her first loan to buy materials for her small, retail trade business. Asked about the problems she faced before taking the loan, she said “Before taking the loan, I used to sell only dress materials, but after taking a loan of 50,000 INR from Prayas, I added many new clothing items such as dupattas, leggings, and kurtis”.

She reported an increase in her business profit from 6,000–7,000 INR per month to 20,000–25,000 INR per month after taking the loan. She can now fulfil all the orders of her customers by keeping a healthy stock of 300 dupattas, up from 30 dupattas before taking the loan. With time, not only her business has flourished, but also she has inspired her husband to start a small, wholesale clothes business.

Over the five years since she joined Prayas, she has been able to purchase a home in her and her husband’s names. She happily says that they have rented out that home and the monthly income has proved to be a stable source of income for her family. This increased income has also improved their diet. She and her family now consume more milk and fruits. She has become a source of motivation for other women in her community.

Jayshreeben actively participates in the decision-making process in her household and has also reported increased confidence and self-esteem. She even aspires to buy a small shop and continue with her business there. When asked about her capacity to cope with emergencies, she responded that she now has enough savings and money at hand to survive even in difficult times or an emergency situation.



Kin Mach constructed a toilet for her home with the loan she received, ensuring good sanitation for her family / **MAXIMA Microfinance Plc**

## Improving access to sanitation

Kin Mach and her family live in Preaek Kruos village, a part of Kong Meas district in Kampong Cham province, Cambodia. She is a rice soup seller, earning 200 USD per month. Her husband is a barber and their two children are garment workers.

In order to collect enough water for the daily needs of her family, Kin would wake up at 5 a.m, go to the market, and spend 30 minutes taking the water from the lake for daily use and cooking food—some for her children and some to be sold. Her home is also not equipped with a toilet, so she would walk far from home to defecate in the forest instead. It is extremely difficult for her family especially in the rainy season because they are living in a flood-prone area with many venomous snakes. She has spent a lot of money on healthcare every year.

Kin first heard about MAXIMA in 2019 from the credit officer who introduced the products and services of MAXIMA to her in the village. She took a loan of 600 USD to install a borehole well with a pump and construct a toilet. With these new amenities, she can open her shop early and earn an average additional 350 USD per month. Her children have more time to work and are healthier than before. They save the remaining income for the future to build a new house and a new shop.



Yogarasa Prabalini and her son.  
Yogarasa used a loan from Sejaya to  
restart her poultry farm business /  
Sejaya Micro Credit Ltd

## Rebuilding a successful business

Yogarasa Prabalini of South Eruvil obtained a group loan from Sejaya's Kaluwanchikudy branch to restart her poultry farm which was closed down for one year due to a lack of working capital. Yogarasa has two children — nine and seven years old — who are both studying at a government school. There are four members in her family and her husband is a day labourer.

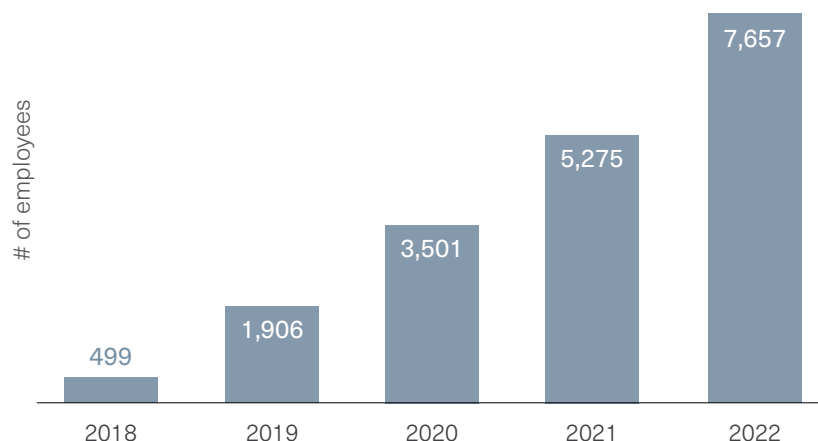
Yogarasa faced financial difficulties in supporting her family and fulfilling their daily needs before restarting her poultry farm business. She obtained her first loan, which amounts to 100,000 LKR, and utilised it to purchase chicks, feed, and medicine. She sells the chicken after 45 to 50 days, revolves the capital around, and earns profit.

She was able to participate in Sejaya's promotional meeting and was informed that Sejaya loan officers will decide the loan amount based on her business operations, and will disburse the loan quickly. Because of that, Yogarasa decided to obtain a loan from Sejaya.

During the nine months after she received her first loan, Yogarasa was able to earn an additional 12,000 to 15,000 LKR a month in income. Once she has settled the first loan, she intends to obtain another loan to further expand her business. Yogarasa plans to start a grocery shop in the future with the objective of increasing her household income.

# Our People

Figure 8 – Number of employees of Gojo Group



## The people behind Gojo Group

Our people are the backbone of Gojo Group and the engine behind our fast growth. Since our establishment in 2014, Gojo Group continues to grow as more members join us in expanding financial inclusion worldwide. We strive to

create a diversified, enjoyable, and rewarding work environment for our members to ensure their wellbeing. We track various KPIs of our group companies related to diversity and satisfaction levels to monitor the impact we bring to our people.

Table 3 – Our impact on Gojo Group employees

No	Impact we bring	KPI we track	MAXIMA	Sejaya	MIFIDA	SATYA	Ananya	AVIOM	Loan Frame	Humo
1	Create diversified workplace	Female ratio – Employees	18%	17%	60%	5%	42%	3%	23%	41%
		Female ratio – Board	17%	25%	20%	25%	14%	20%	0%	14%
2	Provide enjoyable and rewarding workplace	Employee satisfaction score	77%	–	–	89%	83%	–	–	94%
		Employee attrition rate <sup>17</sup>	17%	25%	37%	54%	26%	–	31%	13% <sup>18</sup>

<sup>17</sup> Calculated as number of employees left within a year divided by average # of employees at the beginning and end of the year.

<sup>18</sup> Humo's attrition is based on Sep 2021–Mar 2022 data.

## SATYA recognized as Great Place to Work

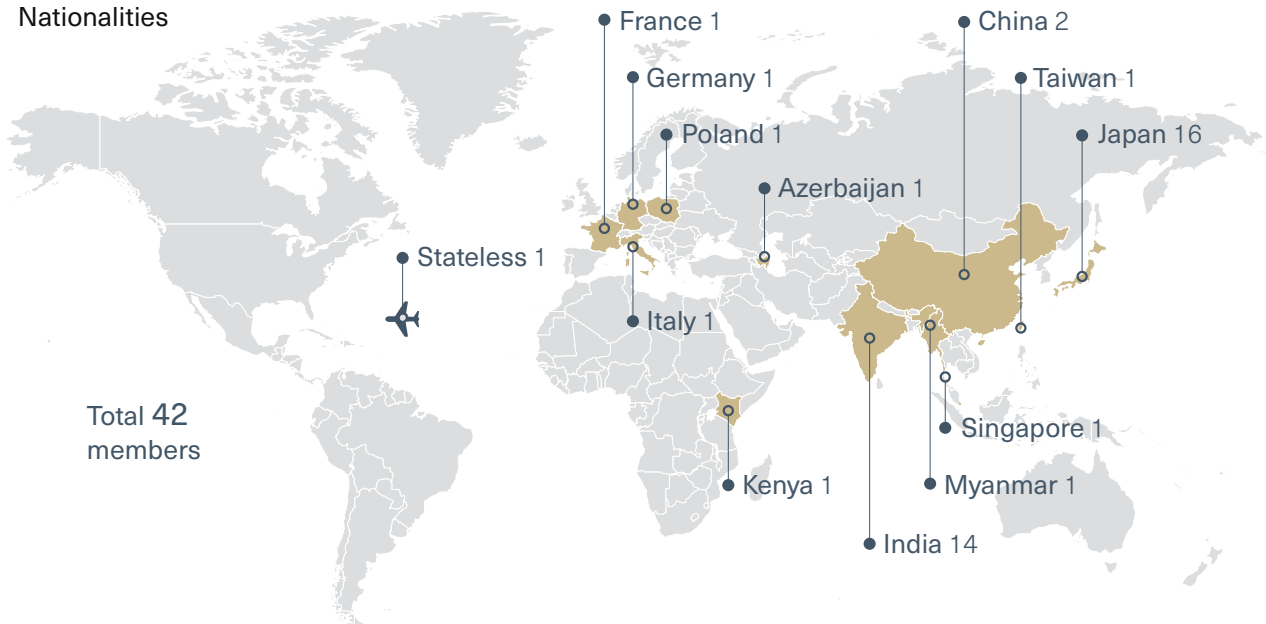


In July 2021, SATYA was recognized as a “Great Place to Work-Certified” organisation. The certification was issued by the Great Place to Work™ Institute, which surveys thousands of businesses every year and evaluates their strengths based on the identified benchmarks. Based on surveys done to the employees, the annual certification acknowledges SATYA as an organisation that creates a trustworthy and high-performing culture for their employees.

Utilising a framework called the Trust Index©, SATYA was evaluated on the framework’s five dimensions: Credibility, Respect, Fairness, Price, and Camaraderie. Out of the five dimensions, SATYA has been identified as having relative strength in Fairness and Credibility in comparison with India’s Top 100 — Best Companies to Work For. This certification is a prestigious achievement for both SATYA and the Gojo, as we highly value the people that work with us.

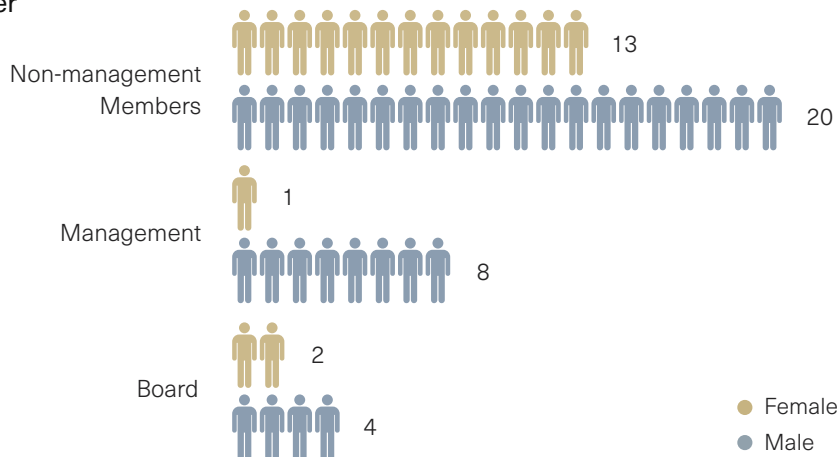
## Gojo & Company: Nurturing a diverse workforce

### Nationalities



Total 42 members

### Gender



Gojo aspires to build a diverse workforce where people from different backgrounds can work together and contribute to our mission. We believe that increased diversity in the workplace brings new perspectives on the way we work. We have added another female Director to the Board, and our members' overall female ratio is 33% this year. We represent 13 nationalities across the globe, with Japan being the majority as it makes up 38% of Gojo people. This is a major improvement, as Japanese members made up 48% of Gojo people last year. By expanding our recruiting efforts, we have been continuously building a more international team where we could promote innovation.

Gojo believes in empowering our people, as they are the ones who drive our value creation to clients. We track the satisfaction of our members by conducting semi-annual member satisfaction surveys. For our 2021 first half member satisfaction survey, 97% of Gojo members responded, which is a higher response rate compared with the previous survey. Out of all the respondents, 74.2% agreed with the statement "I am happy at work" and while 22.6% felt neutral about it. Respondents also mostly agreed with "Someone at work seems to care about me as a person". Satisfaction levels increased in some other sections, such as "I have been able to maintain a work-life balance I want", "I know what is expected of me at work", and "I can learn from my direct supervisor".

However, there is still some room for improvement, since overall satisfaction levels decreased compared to the previous survey. Respondents were less satisfied with company culture, especially in the cross-team collaboration at Gojo. We are trying to improve on this by holding

several Culture Jam sessions, where everyone gathered to discuss different cultural aspects of Gojo, promoting mutual understanding amongst members leading to better collaboration.

Even before the COVID-19 pandemic which generated a worldwide discussion about more flexible ways of working, Gojo implemented a hybrid work model in which members get to choose to either work from home or go to the Tokyo office. As our workforce locations are quite diversified with members not just in Japan but also in India, France, Germany, Singapore, Sri Lanka, UK, Myanmar, and more, it was not unusual for us to work in a remote setting when the global pandemic hit. We strive to make sure everyone feels they are one team and connected to each other. Working in a hybrid setting requires clear communication and mutual understanding. Gojo established remote work guidelines to ensure this, and also created an online approval tool based on the Table of Authorities so that decisions are made in an efficient and responsible manner, even in a remote environment. While we value efficiency and productivity, togetherness is an important feature of Gojo's culture. We keep the team's spirits up by having monthly team meetings and online cocktail parties, where our members can interact and keep in touch with each other.





A farmer benefiting from the green finance loan by Humo / CJSC MDO Humo

## The Environment

### **Towards a greener future**

Gojo recognizes the ever increasing risk of climate change and believes that we must minimise negative impacts on the environment caused not just by our own activities, but also by our clients. As financial service providers, the amount of greenhouse gas (GHG) emission through our operations is low compared with that of manufacturing industries, but Gojo has started tracking GHG emissions for the group companies, including the headquarters and the branches. To manage the environmental impact by our clients' activities, Gojo aims to apply the Environmental and Social Policy across the group to ensure the environmental impact by our clients' activities is well managed. Ananya and MIFIDA has made a head start in this initiative.

Gojo also understands that we need to manage the impact of climate change on our business, and our clients, who tend to be more vulnerable and are hit harder by disasters caused by climate change. Gojo Group supports our clients through our products — for example, SATYA provides emergency loans which can cover natural calamities like floods, cyclones, earthquakes etc. on top of other emergencies such as hospitalisation or major illness.

Drastic environmental change is not just a risk, but also an opportunity. Humo has partnered with Green Economy Financing Facility (GEFF) to provide loan products which contribute to the usage reduction of energy, water and other resources. Agricultural loans and housing loans

are provided on condition that the loan is used for purposes specified, aiming to reduce energy savings by at least 20%, water use by at least 20% and reduce soil erosion by at least 20%.

So far, Humo has disbursed around 1 million USD of these loans as of March 2022.

**Table 4 – Features of the agricultural loans under Humo and GEF’s partnership**

<b>Type of Loan</b>	Agriculture
<b>Loan Amount</b>	Up to 500,000 TJS
<b>Loan Term</b>	Up to 36 months
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• Laying of irrigation pipes (pipe diameter not less than 50 mm) and pumps;</li> <li>• Construction of greenhouses (area of greenhouses not less than 200 square metres);</li> <li>• Intensive and traditional gardens on the slopes;</li> <li>• Conduct a drip irrigation system;</li> <li>• Construction of cold storages;</li> <li>• Digging trenches;</li> <li>• Purchase of tractors, combines and other agricultural machinery;</li> <li>• Purchase of equipment for processing of agricultural products: meat, milk, cotton;</li> <li>• Buy solar fruit dryers;</li> <li>• For the collection and storage of rainwater</li> </ul>
<b>Conditions</b>	Obtaining a certificate is mandatory before applying for a loan through the GEF program

# Our Community

Gojo appreciates the fact that we can do business only when we are accepted by the communities in which our clients live. By community, we mean the ecosystem around our operating areas—the village where the branch exists, the family members and neighbours of our clients, and the business partners who support our day-to-day operation. We are determined to provide support at times of hardships to the community and have conducted several initiatives to demonstrate our commitment. In 2021, we have spent 62,000 USD across the group to support the community in need.

## **SATYA's COVID-19 relief**

As the malignant second wave of COVID-19 pandemic hit India with a terrific jolt in May 2021, people were desperately looking for aid—medical oxygen, medicine, hospital beds, food, and much more. SATYA stepped forward to help those in need. SATYA started distribution drives of COVID-19 preventive medicine kits, including medicine, hand sanitizers, hand wash, face masks, and hand gloves. The kits have reached a total of 180+ operational branches of SATYA benefitting more than 5,000 villages. SATYA also launched a digital Doctor-on-Call service that enables their clients who need medical attention to receive hassle-free telemedicine services. In coordination with the government, SATYA played a critical role in driving vaccination across the nation as well.

SATYA has been conducting numerous COVID-19 relief initiatives for their employees. In order to support their employees, SATYA provided COVID-specific insurance, provided medication kits, and held yoga and meditation classes to mitigate their employees' stress and anxieties. All of these initiatives are in continuation of SATYA's community support initiatives in 2020, including food drives, vaccination drives, and medicine distribution.



# Our Investors

## How we translate funds into impact

As a holding company, a key focus of Gojo is raising funds from investors aligned with our mission and channelling those funds into group 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 (as of March 2021).

### 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.

### 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.

### Capital injection

In 2021/2022, we invested \$29.3 million in our group companies to expand their businesses and support their continued growth (the amount include the minority investment in MyShubhLife made in March 2022).

### Management support

We spent 7 million USD on Gojo's operating costs this year, enabling us to provide management support to partners according to their needs.

### Operations

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

### Finance

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

### Governance

We strengthened our governance by moving toward a three-committee board structure and formalising our processes for monitoring and reviewing group company's business performance.

### Technology

We laid the foundations of Gojo's tech infrastructure, developing our Digital Field Application and Data Warehouse, and prototyping new customer-oriented solutions.

### 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.

### **Innovative ways of raising funds**

For inclusive financial service providers in low-income countries, expensive funding cost is one of the major challenges. Establishing a sustainable mechanism to channel the funds from developed countries including US, Europe and Japan to people who need access to affordable financial services in emerging countries is one of the most important roles that Gojo plays. In 2021–2022, we made significant progress in expanding the debt funding sources, from institutional to individual investors especially from Japan.

### **Diversification of debt financing sources in Japan**

- Issuance of a private placement bond through online platform “Siiibo”, operated by Siiibo Securities Co., Ltd. (August 2021)
- Launch debt funds “Gojo & Company Microfinance Fund” on the online platform “Funds”, operated by Funds, Inc. to raise debt funds from retail investors in Japan (February 2022)
- Execution of bond issuance agreement with MARUI GROUP CO., LTD. as use of proceeds of its Social Bond with a second-party opinion from Morningstar Sustainalytics issued to Japanese retail investors including its customers<sup>19</sup> (April 2022)
- Execution of social loan agreement with Shizuoka Bank, Ltd. which was rated as Social 1 (highest social rating) by Japan Credit Rating Agency, Ltd.<sup>20</sup> (June 2022)

### **Gojo’s debt financing supports to group companies**

Gojo offers various debt instruments to group companies to support their debt financing, which includes intercompany loans and numerous types of credit guarantees. Over the course of 2021, credit guarantees were extended to secure first time lenders which benefited from extra comfort from Gojo, and to support group companies to secure debt financing under the economy impacted by the COVID-19 pandemic.

Gojo has also been working closely with both multinational and bilateral Development Finance Institutions (“DFIs”) and International Impact Lenders who play an invaluable role in developing financial markets and strengthening financial service providers that serve low-income markets. The relationships thrived and turned into strategic partnerships with selected DFIs and International Impact Lenders, securing the larger committed amount to support the Gojo Group’s staggering growth. Together, we make collective progress for greater financial inclusion.

Gojo continues to work on optimising funding cost by pursuing global scale and risk diversification, building strong relationships with Japanese financial institutions and individual investors, and diversifying financing methods.

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<sup>19</sup> <https://bit.ly/MaruiSocialBond>

<sup>20</sup> <https://bit.ly/SocialLoanRating>

# Our Governance Framework

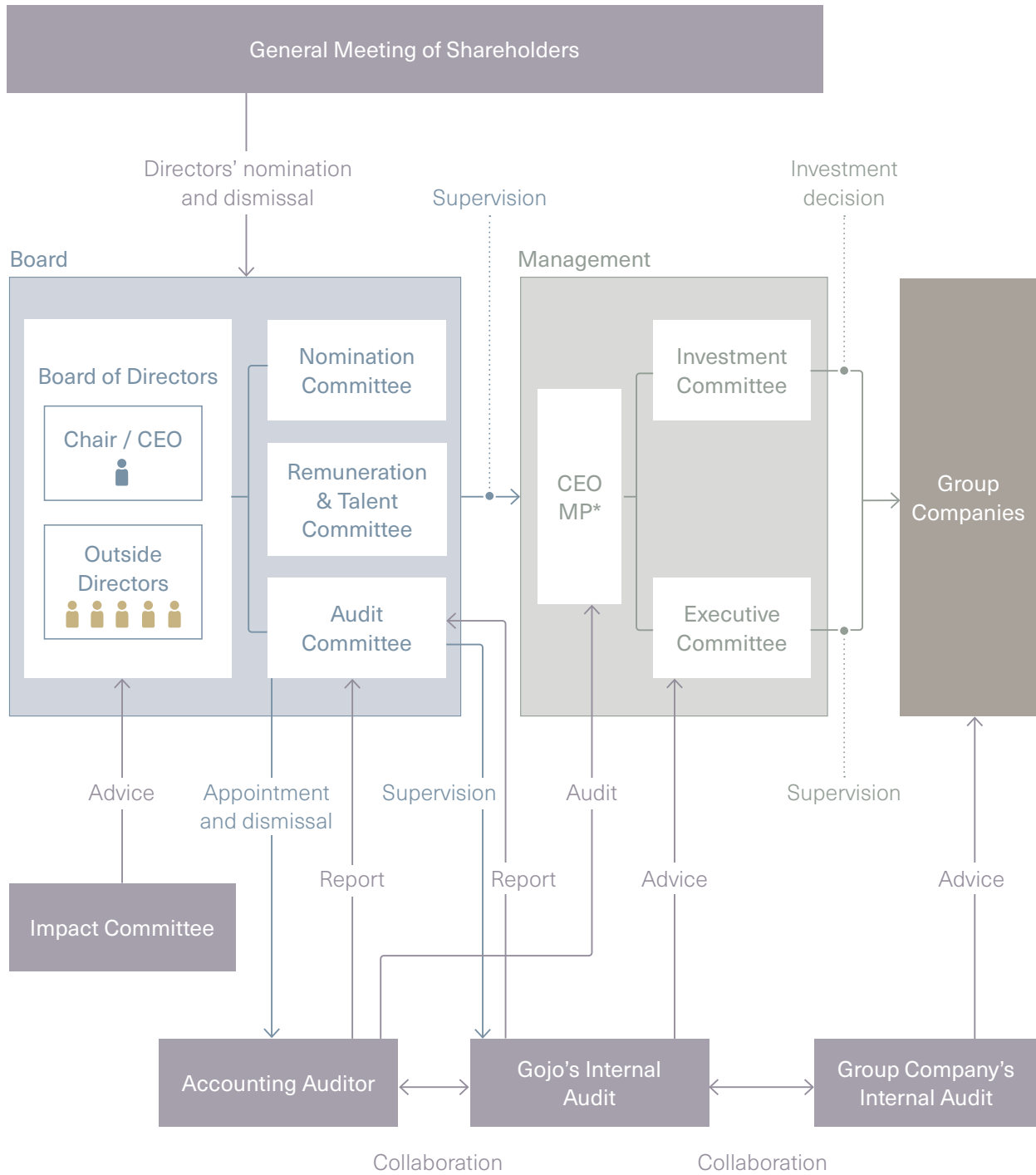
Gojo considers corporate governance the foundation which will enable us to achieve our vision, mission, and 2030 goal. It is a framework to help us carefully monitor the implementation of our management principles and five values, collectively known as the Guiding Principles. Therefore, since our establishment, Gojo has adopted additional efforts into corporate governance, beyond the statutory requirements of the Japanese Corporate Act. We are committed to continuing our pursuit of the highest standards of corporate governance.



In 2021, we successfully transitioned to the new Board structure based on the three statutory committees model, with one additional advisory committee called the Impact Committee, in charge of stakeholder impact management with a focus on client impact. We have also appointed Milena Nikolova as a new Outside Director who has over 20 years of finance experience spanning investment banking, wealth management, venture capital investing, and startup advisory.

Table 5 – Corporate Governance System (as of March 2022)

Type of system	Three Board Committees: <ul style="list-style-type: none"> <li>• Nomination Committee</li> <li>• Remuneration and Talent Committee</li> <li>• Audit Committee</li> </ul>
Number of Directors	6 (5 of whom are Outside Directors)
Number of Executive Officers	2 (CEO, Managing Partner)
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 group 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 and other stakeholders' 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



-  Director & Executive Officer
-  Outside Director

\*MP = Managing Partner

Table 6 – Role of the Board and Board Committees

Name	Composition	Primary role
Board of Directors	1: CEO & Director 5: Outside Directors	The Board's role is to act in Gojo's best interests and add value to Gojo on behalf of the shareholders and all other stakeholders. The Board monitors the deployment of resources and capacity, checking that 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 Gojo 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 Gojo's strategic objectives. The Committee also conducts Board effectiveness evaluations.
Remuneration and Talent Committee	3: Outside Directors	The Remuneration and Talent Committee is responsible for determining the individual remuneration of Directors and Executive Officers. The Committee also looks after the overall HR policies and strategies.
Audit Committee	4: 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 3: Outside Directors	The Impact Committee focuses on whether and how Gojo improves clients' lives and pursues stakeholder impact. The Committee assists the Board in making the right decisions by reviewing and monitoring Gojo's overall activities and policies from the end clients' perspective. Specifically, the Committee works to ensure that clients are at the centre of corporate strategy, decision-making, organisational design, and operations.



Table 7 – Board and Committee Composition

Name & Role	Year of the first appointment	Independent	Committee Composition			
			Audit	Nomination	Remuneration and Talent	Impact
Taejun Shin Founder & CEO Board Chair	2014	—	—	●	Observer	●
Mangyo Kinoshita Outside Director Remuneration and Talent 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
Milena Nikolova Outside Director	2022	●	●	—	—	●

●: Member   ●: Chair

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

**Table 8 – Meeting Attendance and Reasons for Selection as Director**

Name & Role	Attendance of Board Meetings in FY2021	Reason for selection as a Director
<b>Taejun Shin</b> Founder & CEO Board Chair	12/13	Since founding Gojo in July 2014, Taejun has been at the helm of the Gojo Group 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 and Talent Committee Chair	13/13	Mangyo Kinoshita is an attorney qualified to practise 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	13/13	Masahiro Kotosaka is an expert in internationalisation 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 Impact Committee Chair	13/13	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	13/13	Royanne Doi is an experienced ethics and corporate governance specialist. Royanne brings a focus on our corporate governance efforts to enable the sustainable growth of Gojo.
<b>Milena Nikolova</b> Outside Director	3/3*	Milena has over 20 years of finance experience spanning investment banking, wealth management, venture capital investing, and startup advisory. Milena adds further financial and business expertise to take Gojo to the next level.

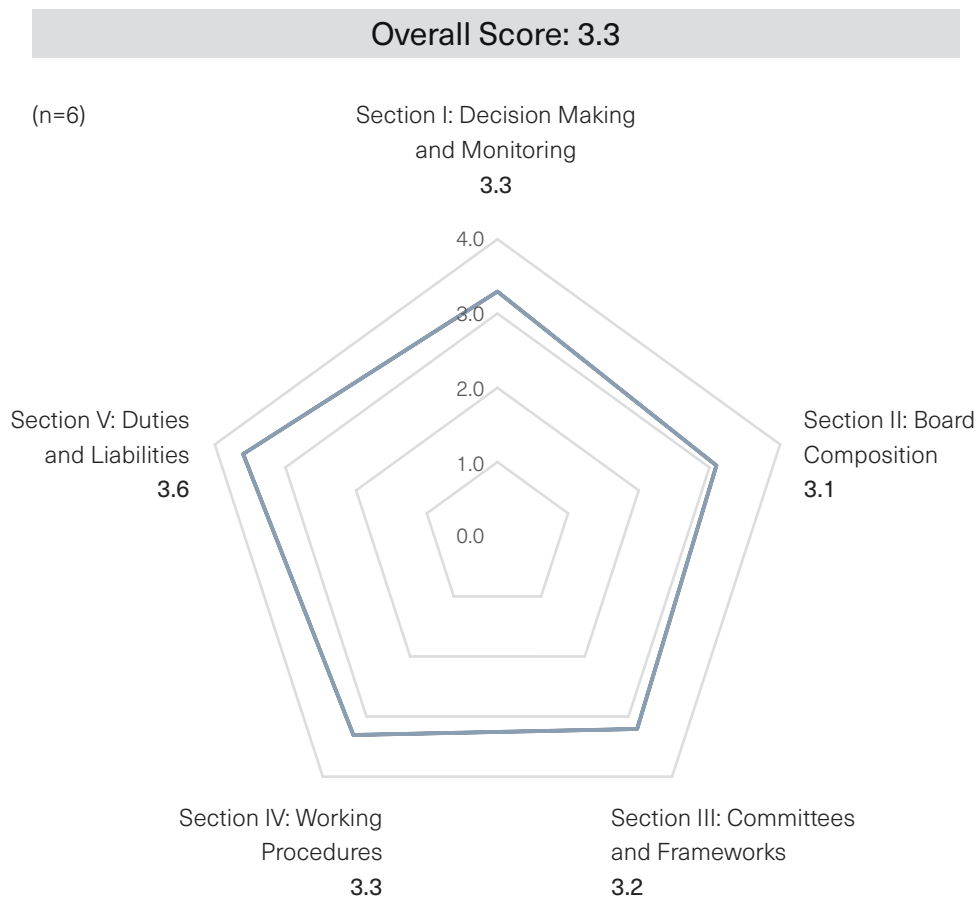
\* The appointment of Milena Nikolova took place in February 2022, and she attended her first official Board meeting as a Board member in February 2022.

### Board evaluation

Gojo conducted our first Board self evaluation to review the progress and effectiveness of the Board. We have conducted a survey with each of the Directors, followed by an interview with each. The results were reviewed and discussed at the Nomination Committee. So far, we have confirmed that the Board has scored 3.3 out of a rating of 4, indicating that they operate in accordance with expectations. Overall the board is well aligned, and

the governance improved significantly after we moved to the three committee model. However, the Board thinks that they should review the independence of the Directors once again, and also improve the composition of the Board to add expertise in management of global organisations. The Board also evaluated the effectiveness of each of the committees and also the contribution of each of the Directors.

Figure 9 – Results of Gojo's first Board self-evaluation survey



# Technology, Research, and Innovation

## **Digitising financial services for better access**

In last year's impact report we mentioned the development of a Digital Field Application (DFA), an Android app meant to help the branch personnel of our group companies more easily serve clients in the field. It allows them to replace all of the slow, error-prone, and wasteful paperwork with a few taps on a mobile device. A loan officer can use it for every step of their day-to-day job, from registering clients, to originating loans, to collecting repayments.

Since the summer of 2021 this effort has started bearing fruit. Sejaya, our group company in Sri Lanka, has been running a pilot version of the app in actual operations for several months, during which we have been tuning and improving the user experience and, of course, fixing many bugs. The pilot DFA is limited to a subset of the planned functionality, but it already shows promise of substantial time savings.

As of March 2022, more than 12,000 new Sejaya clients have been registered through the pilot version of the DFA. We estimate processing times from client onboarding to first loan disbursement to have decreased by more than one third on average, and by more than three times in some cases. The number of same-day disbursements increased by roughly 17% compared to before the beginning of the pilot.

In Q2 2022 we plan to release the full version of the same app with Sejaya, adding key functionality such as the ability to collect repayments and submit new loan applications. That will be a major milestone for the project, paving the way to many more improvements and optimizations.

## **Introducing the Fit Factor — a new impact measure**

Our R&D team experimented with a new impact measure called the Fit Factor and published a short paper on it, which is summarised as follows:

Typically, when we set out to measure the impact of a loan on someone's life, we tend to look at what happens after they take the loan — for instance, whether their income increases, whether they are able to spend more on education, or whether they acquire more assets. However, there are a couple of limitations to this approach:

- Outcomes data taken following a loan tends to be a snapshot of a certain point in time, and is usually collected at a time pre-determined by the service provider, rather than at a time that makes sense for the borrower in terms of when they expect to see results from the loan.
- Changes in income and increased spending on education can be influenced by many different factors in a person's life, not just

their access to finance. For instance, we see in financial diary research that unexpected events happen more often than we might think, such as accidents, sudden medical needs, new opportunities, and other events which may disrupt the original plans a borrower had for their loan.

While outcomes data is useful, it cannot give us the full picture of the utility provided by a loan or other financial service. What if, in addition to outcomes data, we considered the impact of a financial service from a cash flow perspective? In other words, what if we could see how loans or savings fit with clients' real cash flows and affect their day-to-day money management?

Using data from Stuart Rutherford's Hrishipara Daily Diaries project<sup>21</sup>, we have introduced a new impact measure which looks at how financial services either reduce or add to the volatility of a person's cash flows. Our working assumption is that services which increase cash flow volatility generally make money harder to manage, and vice versa. We call this measure of impact on volatility the Fit Factor.

We started with this question: instead of assessing the impact of a financial service by looking at the outcomes that follow its delivery, what if we look at how well the service suited the customer at the time it was delivered? We call this the 'Fit' between a financial service and a customer's cash flows, and introduced the following definition of fitness:

*A: Volatility (Household Cash Flow Without the Financial Service)*

*B: Volatility (Household Cash Flow With the Financial Service)*

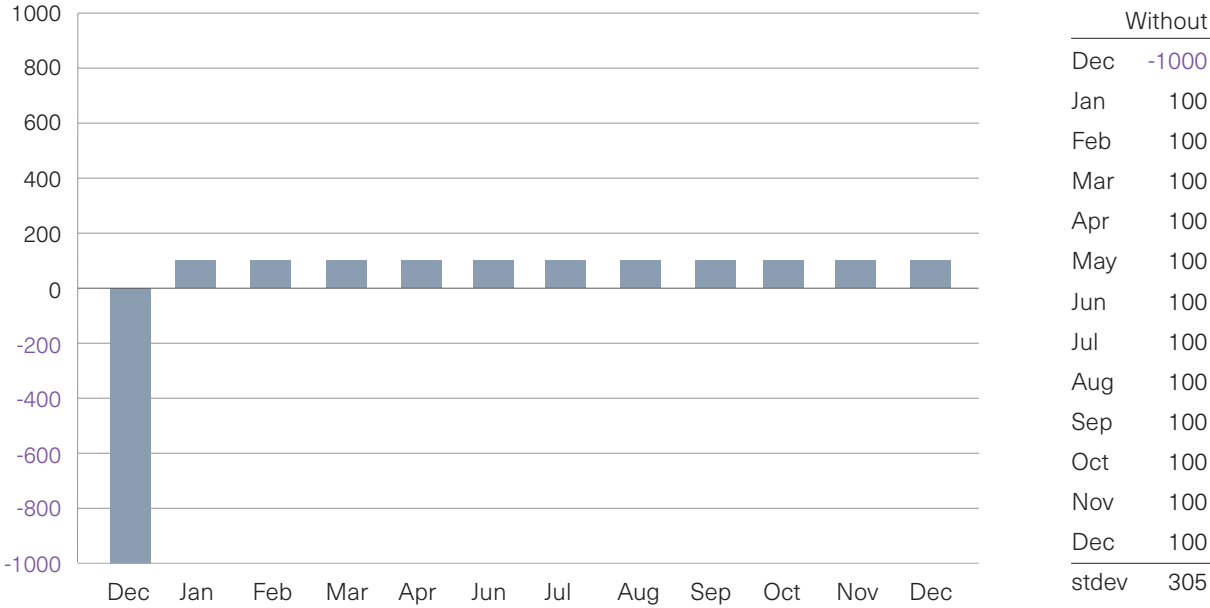
*Formula : (A) - (B)*

The Fit aims to measure the extent to which a financial service contributes to easier money management by reducing volatility in net cash flows. Take the case where a large investment is made in equipment which then generates a series of positive cash flows:

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<sup>21</sup> <https://bit.ly/Hrishipara>

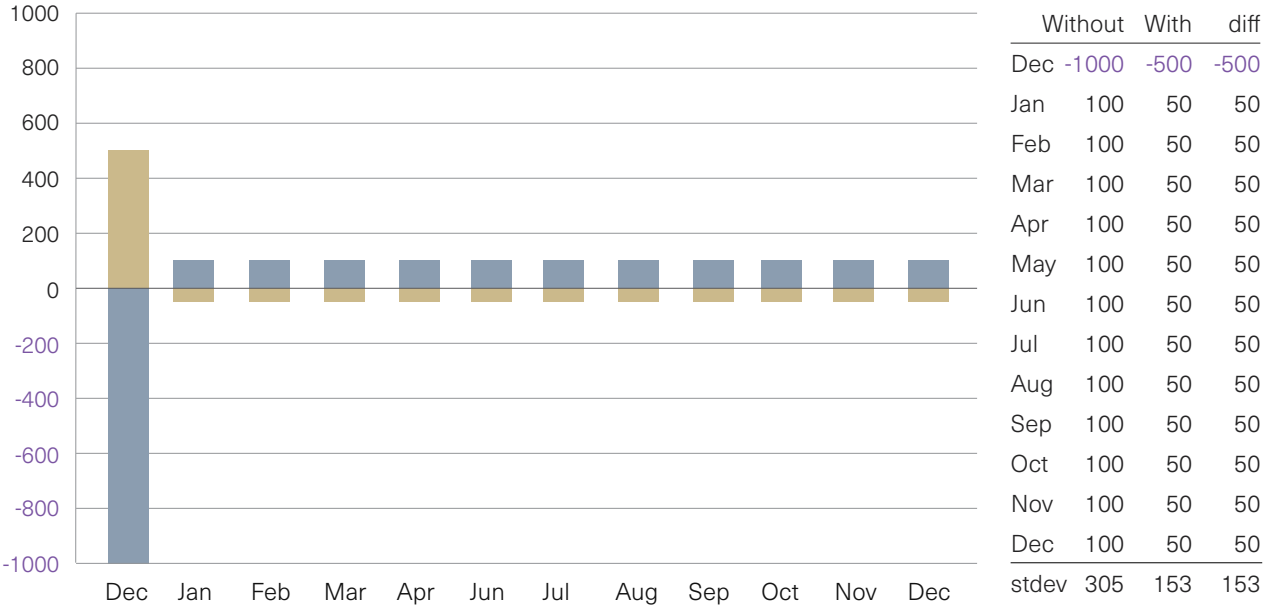
Figure 10–Cash flow in the case where a large investment in equipment is made



If a loan were to be taken to pay part of the initial investment (Figure 11), with repayments spread equally over the following months, volatility is reduced by a large margin. In other words, it provides a positive Fit.

In the full report<sup>22</sup>, you can find real life examples of how microfinance institutions are providing (or worsening) Fit.

Figure 11 –Cash flow in the case where a large investment in equipment is made with the help of a loan



22 <https://bit.ly/FitFactorReport>

# In Conclusion: 2022 and Beyond

The definition of impact at Gojo has evolved significantly in 2021. When talking about impact, we used to always refer to client impact — what kind of positive changes we were able to create in our clients' lives was the question we always had in mind. However, with the increase in ESG investment and the movement towards stakeholder capitalism, we started to recognize ourselves in a larger picture. Client impact still continues to be at the centre of impact at Gojo, as defined in the materiality map. At the same time, we defined a group of stakeholders on whom we want to create a positive impact, and have started measuring it so that we can make continuous improvements. This year's impact report is our first attempt at doing so.

2022 will be an even more exciting year. At our board strategy offsite in March 2022, we discussed and agreed that social performance management, alongside impact, will be one of the top priorities for Gojo in the coming fiscal year. This means that we will focus not just on the outcome we create on various stakeholders, but the process of how we create the impact should also be reviewed to ensure it is fully compliant with socially accepted values. This requires a full transformation of the organisation, not just at Gojo but also at each of the group companies. We have already started implementing various initiatives and are looking forward to reporting more next year.

The external environment continues to be full of turmoil. India suffered a huge wave of deaths from COVID-19 in May 2021, while the coup in Myanmar continues to impact the lives of our employees and clients in the country. The conflict between Ukraine and Russia has obviously impacted our newest group company in Tajikistan although they are handling the situation well. Sri Lanka experienced a huge economic downturn and political instability, resulting in the country announcing debt default. We keep on hearing concerning news from Sri Lanka on long power cuts due to lack of energy, huge price increases on daily necessities, and injuries from clashes between the people and the army due to political confusion. However, the more our people suffer, the more reason we have to provide high-quality financial service. Although it is a difficult time for us — or rather, because it is a difficult time for everyone — we will continue to stand firm to support our clients and continue being responsible to all our stakeholders.



Sejaya's clients who joined a centre meeting. A guest from Japan brought umbrellas as souvenirs / Taejun Shin



## Abbreviations

**ALINUS** = ALigning INvestors due-diligence and reporting with the Universal Standards

**B2B** = business-to-business

**B2C** = business-to-consumer

**CPC** = Client Protection Certification

**CPP** = Client Protection Principles

**CSR** = corporate social responsibility

**DFA** = Digital Field Application

**DFIs** = Development Finance Institutions

**ESG** = Environmental, Social, and Governance

**FY** = Fiscal Year

**GEFF** = Green Economy Financing Facility

**GHG** = greenhouse gas

**HR** = Human Resources

**INR** = India Rupees

**IPO** = initial public offering

**KPI** = key performance indicator

**LKR** = Sri Lanka Rupees

**MFI** = microfinance institution

**MP** = Managing Partner

**M&A** = mergers and acquisitions

**R&D** = research and development

**SaaS** = software as a service

**SDGs** = Sustainable Development Goals

**SMEs** = small and medium-sized enterprises

**SPI** = Social Performance Indicators

**SPM** = Social Performance Management

**ToC** = theory of change

**UMICs** = upper middle-income countries

**USSEPM** = Universal Standards of Social and Environmental Performance Management

**WASH** = water, sanitation and hygiene

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