jia

Litepaper

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01 Introduction

Jia is a decentralized lending protocol connecting capital to real yield opportunities from small businesses in emerging markets.

The Problem

Investors everywhere balance risk with reward – this is true in traditional finance and in DeFi. Global investors are increasingly looking for opportunities that offer sustainable yields uncorrelated to the volatility of the crypto market. Meanwhile, there is a $5 trillion credit gap for small businesses in emerging markets that has not been adequately addressed by existing financial institutions. While fintech lenders serving these customers have proliferated in recent years, they share common weaknesses: high costs of capital, low customer loyalty because of the transactional nature of the products, and weak underwriting due to limited data availability.

Our Solution

Jia solves these issues by sourcing decentralized capital, using rewards tokens to incentivize pro-ecosystem behavior, and partnering with high-quality data providers. The result is a platform that gives entrepreneurs fair access to the short-term loans they need to fund their businesses while delivering consistent yields to investors with transparent and predictable risk.

02 Protocol Overview

Core Participants

The Jia protocol has four core participants:

- **Borrowers.** Micro, small, and medium-sized enterprises (MSMEs) in emerging markets who borrow from Jia's lending pools. MSMEs can be referred to Jia by Partners (defined below) who furnish data for underwriting, or may come to the platform directly. MSMEs may also provide collateral to unlock more favorable loan terms. Borrowers will interact with Jia via a simple mobile app with blockchain components abstracted away.
- **Lenders.** Investors who deposit capital into Jia's lending pools to earn interest generated by Borrower repayments.
- **Sponsors.** Holders of on-chain assets that are used to collateralize loans for prospective Borrowers who would otherwise be too risky to lend to according to the protocol's underwriting.
- **Partners.** Platforms that power the Borrower's business. Partners refer Borrowers to Jia for financing and may provide data used in underwriting.

See Figure 1 below for a simplified view of how these protocol participants interact.

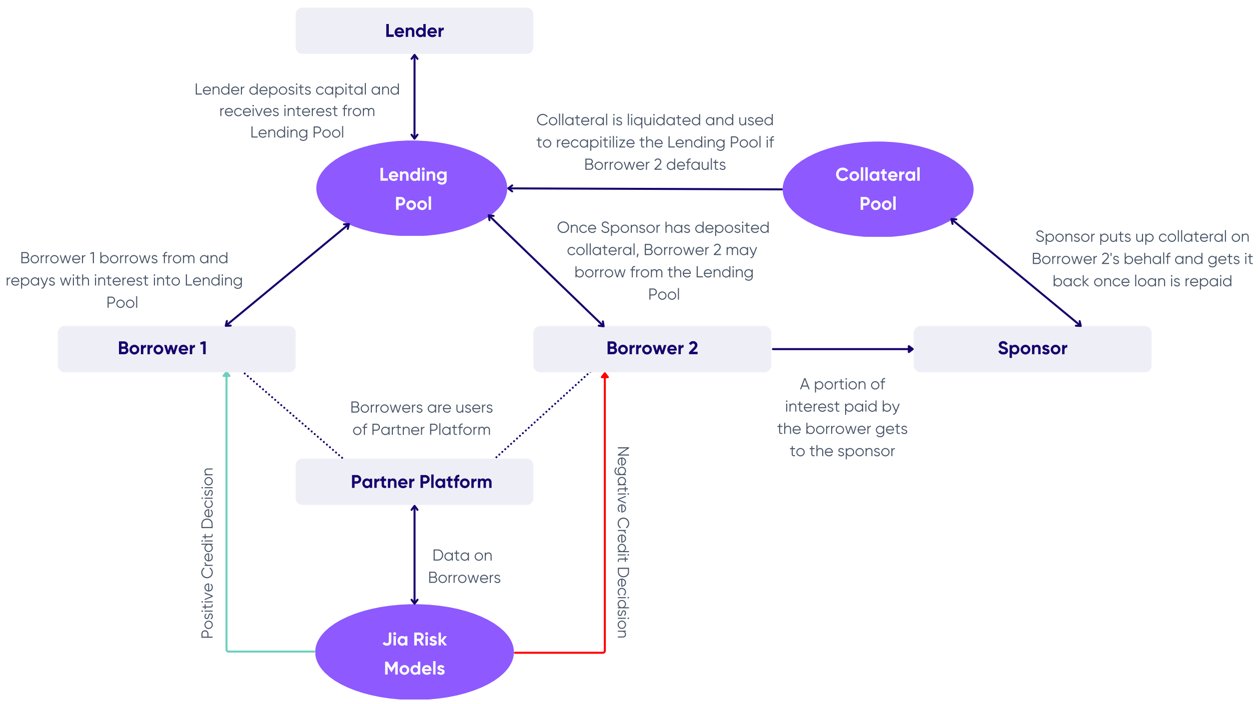

Figure 1. Flowchart depicting a simplified version of the Jia ecosystem with only one partner and two borrowers (only one of whom is judged as creditworthy by Jia's risk models). Borrowers may also use the platform without a referral from a Partner.

Lending Mechanics

Loan Terms

Among Jia's target market, demand is highest for short-term working capital loans to power and expand day-to-day business operations. The standard Jia loan is between $100 and $5,000, has a term between 30 and 90 days, and carries a monthly interest fee of between 2% and 7%. These terms are tailored to each borrower and will evolve over time to fit their needs.

Though these rates may look high to a Western investor, they are aligned with prevailing rates in Jia's emerging markets. These rates along with the short loan durations will ensure consistent returns to investors with favorable liquidity.

Underwriting

In contrast to many DeFi protocols, Jia enables unsecured lending by using high-quality financial data to build machine learning-powered credit models. Jia's underwriting system uses data from various sources such as:

- **The Partner that referred the Borrower.** As the platforms that power Borrowers' businesses, Partners can furnish data such as sales, inventory, and revenue.
- **The Borrower's loan application.** Loan applications give Borrowers the opportunity to share information such as income, expenses, and the purpose of the loan.
- **Third parties**. Examples include data from local credit bureaus and banks that provide additional relevant financial information about a prospective Borrower.

Data Sources

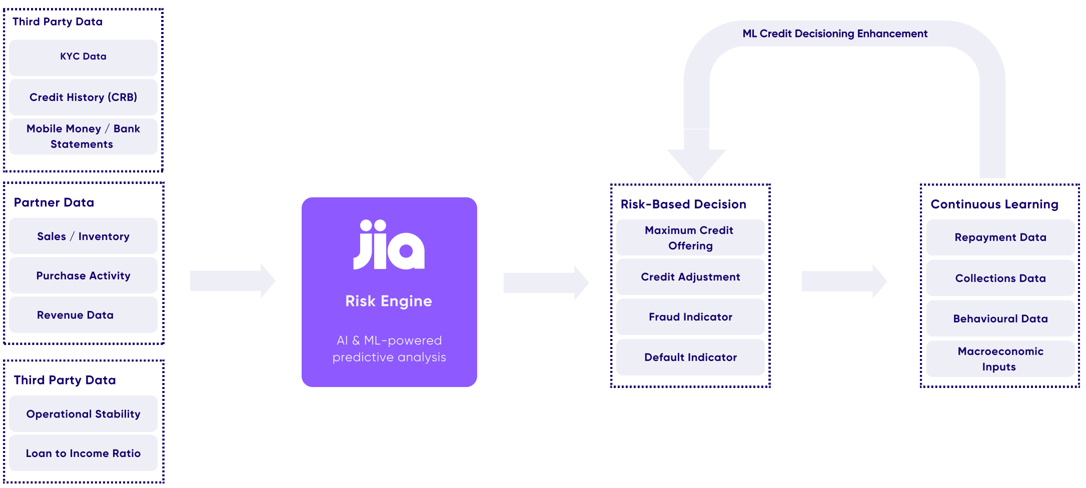

Figure 2. Flowchart depicting how Jia's risk underwriting mechanism uses varied data sources to arrive at a credit decision, and uses post-loan data to continuously improve.

Borrowers that are not offered a loan based on Jia's underwriting models may still borrow if they put up collateral or find a Sponsor to do so on their behalf. In these cases, Jia operates as a standard overcollateralized DeFi protocol.

Compliance

All participants in the Jia protocol must undergo Know Your Customer (KYC) and Anti-Money Laundering (AML) processes to comply with local regulations and to mitigate fraudulent behavior. These compliance processes may vary depending on the participant's role in the ecosystem and geography.

03 JIA Token

JIA is planned to be Jia's governance and rewards token. By increasing the value of pro-ecosystem behaviors on the Jia platform, it is expected to align participant incentives and drive platform growth.

Distribution Mechanism

Users will earn JIA when they participate in the Jia ecosystem. Specifically:

- Borrowers earn JIA when they pay back their loan on time.
- Lenders earn JIA when they supply capital.
- Sponsors earn JIA when they collateralize a loan for a prospective Borrower.
- Partners earn JIA for each Borrower referred that successfully repays a loan.

Use Cases

JIA is expected to enhance the value of all desirable protocol behaviors, further incentivizing borrowing, lending, and repayment and contributing to protocol growth and good credit performance. Specifically:

- **Borrowers** can stake JIA to unlock discounts on their loans or higher loan amounts. If the Borrower defaults on the loan, some of the JIA is slashed and returned to the protocol treasury.
- **Lenders** can stake JIA to boost their yields.
- **Sponsors** can use JIA to partially collateralize loans on the behalf of Borrowers. If the Borrower defaults, some of the JIA is slashed and returned to the protocol treasury.

Additionally, any token holder will be able to stake JIA to earn a share of protocol revenue. This share will always yield less than what could be earned in loan discounts, lending yield boosts, or sponsorship. The benefits of this are twofold:

- The fact that the passive revenue share is less than what can be had by deploying JIA in the protocol will encourage protocol participation over passive holding.
- At the same time, the existence of the revenue share will create a likelihood that a floor value for the token will be achieved by representing the anticipated revenue share attributed to the token. The floor value will in turn allow for the token to be deployed as potential collateral in the lending protocol at the floor value since it is unlikely that the token's value will fall below the floor value. There is no guarantee that the JIA token will remain above the floor value and JIA makes no warranty or guarantee (and disclaims any such warranties or guarantees) in respect thereof.

The exact supply, tokenomics, and emissions mechanics of JIA will be announced closer to the token's launch date.

04 Governance

Once the protocol is fully launched and stabilized, the core team will transition governance of the protocol to the Jia DAO (Decentralised Autonomous Organization), made up of JIA token holders. The DAO will be responsible for proposing and approving changes related to:

- Future token issuance, inflation, burn rate, and buybacks.
- Major product and upgrade launches.
- The JIA token revenue share "fee switch."
- New credit pools and Partners.
- Integrations/liquidity raises with other protocols.

05 User Journey

Figure 3. Illustrative user journey of Alice, a hypothetical Borrower who accesses inventory financing from Jia for her restaurant in Manila, Philippines.

To illustrate how the protocol works, meet Alice. Alice sells spices from her shop in Manila. Alice would like to access financing to buy larger quantities at lower prices, which will let her keep more inventory in stock, meet customer demand, and capture larger margins.

Borrowing

Jia provides inventory financing to Borrowers like Alice through local Partners, such as a hypothetical wholesaler Tropical Spices. In order to facilitate underwriting, Tropical Spices provides Jia with relevant data on merchants like Alice, such as monthly revenue, expenses, purchase history, and local market trends. Jia feeds this data into its credit models to determine the optimal loan terms (interest rate, duration, and amount) for each merchant. Based on her data, Jia extends Alice a loan offer to finance up to $1,000 of spices.

From Alice's perspective, borrowing works just like it does from the many app-based fintech lenders she already knows. To access her loan, all she will have to do is open Jia's mobile app – crypto wallet creation and on-chain transactions are abstracted away.

Receiving JIA

When Alice repays the loan on time, she receives JIA token rewards. This may be Alice's first cryptocurrency, so Jia includes extensive education in its app to break down the benefits of JIA and provide onboarding into the world of Web3. As a Borrower, Alice will likely use her JIA tokens to unlock credit rewards such as lower interest rates, larger loan amounts and longer durations.

Building On-Chain Credit History

As Alice repays successive loans, she builds credit history with Jia that will reflect positively on her for future loan applications. Because Alice's credit history with Jia is tracked on-chain, protocols offering other financial services will be able to verify her creditworthiness and serve her accordingly. As a result, by borrowing with Jia, Alice has gone from an entrepreneur with no Web3 footprint to one that can access every type of financial service she might need to grow his business on-chain.

Sponsoring

Alice knows another market vendor named Bob who wants to take a loan. Bob only recently started partnering with Tropical Spices, so they do not yet have sufficient data about Bob for Jia to offer him a loan at this time. But Alice knows that Bob is a savvy businessman, so she secures a loan for him by depositing some of her on-chain assets into the Collateral Pool. As Bob repays the loan, the Lending Pool and Lenders are repaid as before, but Alice also gets a share of the interest to compensate her for securing Bob's loan. If Bob defaults, Alice's collateral is liquidated and used to recapitalize the lending pool.

Alice's Journey with Jia

Today, Alice cannot grow her business because of inadequate access to financing. The options she has are likely transactional, perhaps giving her access to expensive financing, but no ownership in the upside of the lending enterprise. Let's consider where Alice will be after building a successful borrowing relationship with Jia. By accruing JIA, she will not only be a customer on the end of a one-way transaction with a lender; she will be an owner and builder of the community, participating in governance and helping determine the future of the protocol. She will have a financial stake in the future success of the protocol, thus gaining an opportunity to build wealth and prosperity for herself, her family, and her community.

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