

Kiva – Following a loan

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ABSTRACT

This report describes Kiva's online community, the first microlending website with different members playing specific roles according to their purpose in the community. An ethnographic research was the chosen approach to gain a deep understanding of the several steps involved and members involved in the process of lending money to entrepreneurs in developing countries. As part of the research, a loan was given to an entrepreneur in Mozambique and a face-to-face interview was conducted in the facilities of the Microfinance Institution that requested a loan for that client in the country. The whole process is described along this report with final recommendations for further developments.

Author Keywords

Microlending, loan, Field Partners, donors, fellows, Ethnographic research.

INTRODUCTION

Kiva is a microlending online community that connects people from all around the world towards a same goal of alleviating poverty. It is a very well structured community in which every member plays a specific and active role. It was created in 2005 with the goal of connecting donors from all around the world to entrepreneurs who needed loans to improve their businesses or houses. Kiva has currently 596,058 lenders distributed and represented in 187 different countries. Since it started Kiva has funded 147,127 loans that correspond to an amount of \$103,042,085. A significant percentage¹ of it (82.64%) has been given to women entrepreneurs¹. As the loans start being repaid, donors can choose to reuse it for another loan, withdraw it or just donate it to Kiva as a way to help reducing operational costs. The purpose of this research was to understand this community through its main reason to exist – the loan – and gain a deep understanding of the process and the different members and roles involved in all stages. An interesting but rather different project called School-to-School [3] explores how Kiva could be an important source of social learning. By focusing on school-based teams in Kiva, these authors were interested in understanding how could educators use microlending websites as a source of

learning. The purpose of this project was to create a website based on Kiva's that would accommodate schools' specificities, promote collaborative learning and facilitate the interaction between students and entrepreneurs who these school based teams would give loans to so that their interactions would go beyond a simple economical transaction. One of the big challenges that this project is facing has to do with the fact that these school-based teams differ in knowledge, skills and socioeconomic backgrounds, which makes the interface design of this Online Community a crucial aspect as it has to accommodate and support different needs and still succeed in promoting the collaborative work between them. The authors are still addressing this challenge and looking at other examples of prior projects to understand how were these problems addressed.

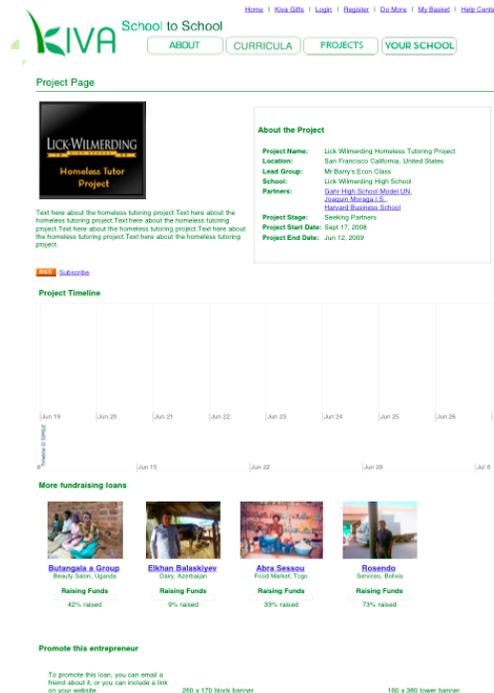


Figure 1. User Interface of School-to-School Online Community

¹ This topic will be discussed in the “Discussion” section of this report.

There are still some basic principles that will be used to guide this Online Community:

- Allow different interactions
- Leverage existing communities, in this case, use Kiva's communities
- Acknowledge the social nature of existing practices in Kiva
- Visualize individual and group relations
- Listen to people, specially teachers
- Prototyping

The next steps of School-to-School include evaluation of the User Interfaces that best accommodate the needs of collaborative and distributed teams through user testing with the student groups that currently exist in Kiva's community.

METHODOLOGY

Given both the specificities of this online community and the goals of this project, an ethnographic research was the chosen approach. In order to provide a clearer understanding of this research, this section will be divided in two – the actions taken in the website as a member of this community and those that took place in the field.

Kiva's online community

The first action to be accomplished after joining the community was to create a profile (Figure 2) that served as an introduction to other members and as a first required task to start the lending process.

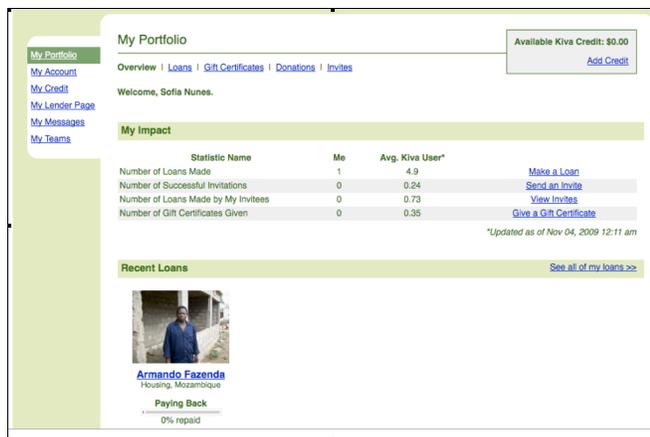


Figure 2. Portfolio page in Kiva's website

The next step was choosing a team of members who were already part of the community and specifically focused in helping a Microfinance Institution in Mozambique. This step was optional as members can also choose to be individual lenders. After joining this team the goal was to choose an entrepreneur to give a loan to. The list of profiles was sorted by country and specifically to Mozambique. The chosen entrepreneur had requested a loan to buy construction materials to build his house to one of Kiva's

field partners in Mozambique. The amount of the loan was 25\$ which was debited from the credit card used for this purpose and through Paypal. The information about this loan was then added to the team's profile. There were also emails sent to the team's "captain", and to the field partner to explore the possibility of visiting the Institution in Mozambique and the entrepreneur to whom the loan was given.

In the field

After contacting the field partner who the loan was disbursed to and explaining the goal of the project, a face-to-face semi-directed interview was scheduled and took place at the MFI's facilities in Mozambique. During the interview there was still a chance to collect an artifact and to gather information from field observation.

RESULTS

Loan

The loan of 25\$ was disbursed and started being repaid. At the moment the entrepreneur has already repaid 5% of the 760\$ loan, which corresponds approximately to 1\$ out of the 25\$. (Figure 3)



Figure 3. Amount of loan repaid

Interview

This Field Partner found out about Kiva through an email sent by this community to their institution explaining the way it worked and the advantages of becoming a member of this community. To join the community the MFI had to fulfill the following requirements before applying:

- Serve at least 1,000 active borrowers with microfinance services;
- Have a history (at least 2-3 years) of lending to poor, excluded, and/or vulnerable people for the purpose of alleviating poverty or reducing vulnerability;
- Be registered as a legal entity in its country of operation;
- Have at least 1 year of financial audits

After the application got accepted and the clients' profiles uploaded to Kiva's website, the institution started receiving

money monthly from Kiva's donors. The MFI disburses the loans to the clients as the requests are accepted, and then uses the monthly payment from Kiva to cover the already disbursed loans and operational costs, allowing the institutions to increase their portfolio and improve their services to clients. One year after being members of Kiva some of the MFI volunteers, the Kiva Fellows went to Mozambique to visit the institution. The purpose of these visits is to audit the institutions making sure the information matches up, to visit their clients and help the MFI updating and uploading the profiles to Kiva's website. One of the challenges pointed by the MFI's director was the fact that the institution had to enter the data twice, one in their system and another in Kiva's website which was mentioned to be hard to manage for the MFI's staff. The translation of the profiles from Portuguese to English was also referred to as one of the challenges the field partners have to deal with. Since they joined this community in 2006 their portfolio has increased. This Field Partner also pointed the extra capital and getting to know their clients more personally as the biggest benefit for them.

DISCUSSION

The results from the face-to-face interview, active participation in Kiva's website and observations indicate that this is in fact a goal-oriented community with a well defined structure with different kinds of members playing specific roles.

Field Partners

These are Microfinance Institutions that being part of Kiva's community, receive donations once a month from Kiva's donors who wish to give loans to these MFI's clients. Currently Kiva has field partners in 51 different countries. The interview with one of these Field Partners showed that they realize the advantages of being part of this community and have been overcoming the challenges as they appear using their human resources. Creating profiles of the clients, uploading them to Kiva's website, updating clients' loans data are all tasks that are part of the Field Partners' roles while members of this community. They are the ones who link the entrepreneurs – their clients – to the online community, introducing them to donors through the website and profiles.

Donors

These are Kiva's members that join the community with the main purpose of giving loans to entrepreneurs around the world. To do so, and after creating an account they have to choose among hundreds of different profiles, those who they wish to lend money. This choice is obviously subjective and donors will make it based on different factors such as gender, purpose of the loan request, story of life or country. Gender is a particularly obvious factor as according to the last update, 82,51% of the loans was given to women. This could have different interpretations such as a higher perceived reliability that donors have towards women associating them with a higher chance of

repayment. Could also be associated with the perception of women as a minority that needs to be supported and empowered.

Fellows

These members are volunteers that apply to Kiva to go to the field and work closely to the Field partners in the different countries where they are established. They usually spend 2 or 3 months in the field, visiting the MFIs, making sure all the information matches with the one that is uploaded to Kiva's website. Transparency is a crucial aspect in this community. By keeping all the information available to donors, Kiva increases the trust in the community. This is a particularly sensitive issue when money plays an important role and Kiva always tries to make sure that the information about the Field Partners and entrepreneurs is shared and verified so that the community does not feel harmed in anyway while lending money. The fellows also help on the creation of clients' profiles, which is sometimes pointed as a challenge for the MFIs but still an important issue to take into account, as it is the only way donors can choose the entrepreneurs and lend money. By doing so the fellows are responsible for keeping the connection between lenders and borrowers.

Forum

Kiva's website does not promote the social contact between donors. The only way members have to contact each other is through a short message in each lender's page. This social aspect of the community is explored in a separate forum – Kivafriends – which has 5536 members out of 596,058 total lenders in Kiva (Figure 4).

Status	Username	Email	Website	ICQ	AIM	YIM	MSN	Location	Position	Date Registered	Posts	
<input type="checkbox"/>	02000									Kiva Newbie	2007-11-09	0
<input type="checkbox"/>	1cheerfulman									Kiva Newbie	2008-09-15	0
<input type="checkbox"/>	20 Years									Kiva Newbie	2008-06-16	0
<input type="checkbox"/>	27veronica									Kiva Newbie	2008-05-12	0
<input type="checkbox"/>	2composers									Kiva Newbie	2008-04-19	0
<input type="checkbox"/>	2early									Kiva Newbie	2007-10-25	0
<input type="checkbox"/>	2oregongals									Newbie	2009-03-02	0
<input type="checkbox"/>	2willsons									Newbie	2008-11-14	0
<input type="checkbox"/>	500ff51									Kiva Supporter	2009-06-20	1
<input type="checkbox"/>	5igive									Kiva Supporter	2008-03-28	1
<input type="checkbox"/>	5natstaf5									Kiva Newbie	2009-08-14	0
<input type="checkbox"/>	74shahler									Kiva Newbie	2009-03-07	0
<input type="checkbox"/>	7nternational									Kiva Newbie	2008-07-13	0
<input type="checkbox"/>	8-Dave							Highlands, Scotland		Kiva Supporter	2007-07-03	4
<input type="checkbox"/>	98671									Kiva Newbie	2007-09-15	0
<input type="checkbox"/>	@									Kiva Newbie	2008-06-20	0

Figure 4. Kivafriends' list of members

This space is used to discuss multiple topics, mostly related with the microfinance field. Members use it also to share articles and to promote actions to reduce poverty and to share experiences and information about a specific field partner or entrepreneur if they have a chance to meet them as it happens several times. It is interesting to note that this forum is rarely misused and it reinforces the idea that this is a really goal-oriented community which main interest is to

explore new ways and contribute according to their possibilities to reduce poverty around the world.

As an overall comment to Kiva's community it is clear that the members are strongly committed with it either because they are field partners willing to get donations to give to their clients or because they are donors wanting to have an active participation in alleviating poverty around the world.

CONCLUSIONS

This research purpose was to better understand how Kiva is organized and how its members through their different roles make donations flow throughout the world. Some of the initial sub-goals of the research – interview with the “Team” captain and with the entrepreneur who the loan was given to – were not accomplished due to a lack of response in the first case and to weather conditions that turn a visit to the entrepreneur in Mozambique impractical.

Future work Other kind of information and quantitative studies to Kiva would provide valuable information about this community and eventually provide relevant suggestions on how it could be improved and keep its development and work in alleviating world's poverty.

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