

## **Living on \$2 a Day @ UMW**

### **What is KIVA**

Kiva, Swahili for agreement or unity, is a non-profit microfinance corporation that enables people to make small loans with a huge impact. The idea for the project came from the travels of computer programmer Matt Flannery who visited Africa three years ago on a trip to see his wife. At the time, she was working with a company that provided small grants for entrepreneurial projects. While visiting Mr. Flannery noticed the degree to which a small donation of no more than one hundred dollars could benefit an impoverished business proprietor. From this came the idea to link small lenders with small borrowers through the use of the World Wide Web.

The loan process begins with Kiva's "field partners," which consist of various microfinance institutions located around the globe. These institutions are the backbone of the project: finding potential borrowers, conducting the application process, creating business profiles to be displayed on the Kiva website, distributing loans, collecting payments, and monitoring the progress of the entrepreneurs. Ordinarily, such institutions would be reluctant to make such small and risky loans. Kiva allows for private individuals to finance the loans, connecting potential borrowers with those willing and able to lend to them. Potential lenders are able to access Kiva.org and browse through the many projects and profiles recommended by Kiva's field partners. The lender selects which project he or she would like to invest in, and with a few quick clicks of the mouse can make a loan as small as 25 dollars, paying by credit card or through PayPal (an online transaction facilitator).

The loan is then received by Kiva, which forwards the funds to the corresponding field partner, who in turn distributes the money to the selected entrepreneur. The proprietor invests the money into their project, and gradually repays the microfinance institution which returns the funds to Kiva and the lender. The borrower is required to pay interest on the loan which is used to cover the costs incurred by the field partners; however Kiva only partners with institutions which will not charge exorbitant rates and agree to disclose all finance charges. The field partners track the success of the business projects and keep the loaner updated through Kiva's website and periodic e-mails. The loan is typically repaid in installments, the terms of which depend are decided by the field partner. As this is a loan, it is not guaranteed and there remains the possibility of the borrower defaulting on the loan. Thus far, Kiva has experienced a 100 percent payback rate on all of their completed loans and expects to maintain an average close to the 97 percent average repayment rate enjoyed by other microfinance corporations around the world. Once the loan has been repaid to the lender, they are given the option of reinvesting or withdrawing their money.

Kiva has shown very promising results since its inception in October 2005. The site has delivered over three million dollars from over 30,000 lenders and the popularity of the site continues to grow. Hundreds of lives have been affected by these small loans and as a result have been able to better provide for themselves and their families. Penina Oburu of Uganda received and paid off a loan of \$300 which she used to rent a truck to transport fish more easily back to her village to sell. By doing this she is able to benefit from an economy of scale and currently realizes profits around 40 percent in contrast to the 10-15 percent that she received before the loan. Thanks to Kiva.org poor entrepreneurs who are unable to obtain loans from local financial institutions are being connected to others who want to "make a loan, change a life," and help those in need.

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