



# STANFORD

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## GRADUATE SCHOOL OF BUSINESS

CASE: M-325  
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### KIVA AND THE POWER OF A STORY

*Kiva is fundamentally about stories. These stories are what connect lenders to entrepreneurs, and they have the power to create an interaction based on dignity and respect and partnership, not one focused on suffering or pity or the need for a wealthy donor to swoop in and singlehandedly save the day.*

—Jessica Jackley, founder Kiva.org

Ami Adjaho was an entrepreneur in Togo (Western Africa) who needed a \$675 loan to buy 20 sacks of charcoal and 15 piles of yams to expand her business of selling charcoal and yams. She promised to repay the loan to lenders in 14 months. In the description of her business, she wrote: “She gets her supplies in the interior of the country, which enables her to increase her profit margin. Being unmarried, it is with the income of her business that she provides for her family.”<sup>1</sup> Adjaho was like thousands of other entrepreneurs in impoverished countries who had their financial needs posted on the nonprofit website, Kiva.org.<sup>2</sup> In 2005, Jessica Jackley and cofounder Matt Flannery had started San Francisco-based Kiva because, during a three-month work assignment in East Africa, Jackley had met Ugandan entrepreneurs and wanted to share their inspirational stories with friends and family. Soon thereafter, Flannery and Jackley launched Kiva, the world’s first person-to-person micro-lending<sup>3</sup> website, with a mission to “connect people through lending for poverty alleviation.”

Kiva’s concept was straightforward—local microfinance institutions (MFIs) worked with entrepreneurs to put their business descriptions, financing needs, and photos on Kiva’s website; investors from anywhere in the world could visit Kiva.org, and choose entrepreneurs to loan money to, through PayPal or their credit card. Over the course of the loan, lenders received

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<sup>1</sup> [http://www.kiva.org/app.php?page=businesses&action=about&id=125401&\\_tpos=5&\\_tpg=1](http://www.kiva.org/app.php?page=businesses&action=about&id=125401&_tpos=5&_tpg=1).

<sup>2</sup> Kiva means “unity” or “agreement” in Swahili.

<sup>3</sup> Microfinance is the provision of loans, credit, savings, insurance, and transfer services to impoverished entrepreneurs.

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Victoria Chang and Jessica Jackley prepared this case under the supervision of Professor Jennifer Lynn Aaker as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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updates on the business, and were eventually paid back within the agreed-upon time. At the end of the term, lenders could receive their money back or re-lend to another entrepreneur (90 percent of lenders chose to re-lend) (**Exhibit 1**).

In its first official year of operation (October 2005 to 2006), Kiva distributed \$500,000 dollars in loans to entrepreneurs. In their second year, they distributed over \$14 million, and in the third, nearly \$50 million. As of September 1, 2009, over 550,000 people have loaned more than \$89 million to 217,000 entrepreneurs in 49 countries. In May 2009 alone, Kiva users loaned \$4.6 million to entrepreneurs, a 51 percent year-over-year increase and a record month for Kiva. And by 2009, Kiva had 34 full-time employees and hundreds of volunteers, and was handling \$56 million in loans, with \$100,000 per day of those loans being in amounts as small as \$25. The organization had lenders and entrepreneurs in 150 countries worldwide (**Exhibit 2**).

Throughout Kiva's founding and history, Jackley, the spirit behind the organization, and Flannery, the CEO, stayed true to their original mission of connecting people and providing entrepreneurs with dignity and respect (**Exhibits 3 and 4**). A desire to tell the authentic stories of these entrepreneurs inspired Kiva's founding, and this spirit of storytelling pervaded the entire organization, whether through the founder's story, lenders' stories, entrepreneurs' stories, or fellows' stories.

## **HOW KIVA WORKS**

The ecosystem of Kiva included Kiva Entrepreneurs (entrepreneurs in developing countries who needed loans), Kiva Lenders (who received no interest payments), Kiva Field Partners (which included microfinance institutions and other lending organizations, with and without religious affiliations), and Kiva Fellows (who traveled to different countries and visited entrepreneurs, all the while banking stories of the entrepreneurs—posting blogs and pictures about their visits, and conducting soft audits).

Kiva Entrepreneurs were chosen by Kiva Field Partners (MFIs)<sup>4</sup> for the purpose of poverty alleviation (**Exhibit 5**). In essence, they were families whose lives would be changed in a very positive way by a microloan—consistent with Kiva's single goal to connect people through lending to alleviate poverty. Importantly, Kiva's goal was not to raise the largest amount of money; nor was it to build a powerful network of MFIs—although these things happened indirectly. Rather, the single goal was clear: to connect people. In fact, Jackley said: "We've turned down money when it didn't allow us to connect human beings to each other."

Kiva lenders received no interest payments, but the 100 Kiva Field Partners, on average, charged 22 percent on the loans to cover administrative costs (**Exhibit 6**). Although seemingly high, the MFIs often had to collect loans in person and sometimes needed to travel long distances to collect the money. Kiva's partners needed to meet rigid guidelines to make sure they had the interests of their entrepreneurs in mind. "We go through a lot of due diligence with these organizations," said Jackley. "We give them an account on our system that depends on what sort of rating that they receive on the rating system that we developed." If an MFI received a five-star rating, for example, s/he would be allowed to fundraise a larger amount each month from

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<sup>4</sup> Kiva Field Partners received a star rating based on financial audits, credit ratings, and repayment performance.

potential lenders. The rating system was based on 37 qualities and was very quantitative. Beyond the risk assessment of the entrepreneur and Kiva Field Partners provided on Kiva's website, the entrepreneurs also provided e-mail updates on the progress of the business. Loans made through Kiva had a 98 percent repayment rate.

In terms of Kiva's own overhead costs, over 70 percent of its administrative costs, including salaries of the staff and other operational costs were covered by an optional donation (for lenders) to add 10 percent to every loan. This option was instituted a year-and-a-half after Kiva's launch. Beyond the optional donation from lenders, Kiva covered its costs with funding from grants and from interest rate float from money that passed through the organization.

## **THE INSPIRATIONAL MOMENTS BEHIND KIVA**

### **The First Major Moment: A Trip to Haiti**

The genesis of Kiva began during Jackley's high school days, when she traveled with a church to Haiti for a week of service. She said: "Realizing how ridiculously privileged I was compared to most of the world, I felt like I wouldn't know how to be a human being on the planet if I didn't pay attention to the lives of all the other people. The vast majority have such a drastically different set of opportunities laid out before them."<sup>5</sup> Shortly after returning from Haiti, Jackley attended her senior prom. While sitting in her limo, decked out in a prom dress, she thought: "Wait a minute ... that was not a different world. That was just one plane flight away." She then asked herself, "How is this possible that this is my life and I'm spending my evening having fun and these other people have probably worked hard all day just to be able to eat?" Jackley had a moment of "crisis" where she felt several strong emotions at once: "I didn't understand. I was angry. I was upset. I was afraid. I didn't know how to pull all of that together and I didn't even know if it was okay to have fun at senior prom or if I should go do something every waking hour to try to help these people that I met and now knew. So that was a major moment in my life." (Exhibit 7.)

### **The Second Major Moment: Semester at Sea**

Jackley attended Bucknell University, graduating in 2000, having studied philosophy, poetry, and political science, as well as serving as student body president. "I thought, 'Why would I study business?' I want to help people," she reflected. Jackley thought that philosophy would teach her how to think about ideas differently. "I loved philosophy because we questioned the basics and we questioned what's possible and I wanted to learn how to ask the best questions." Jackley studied poetry because she thought it was beautiful and "I loved it," she said. And she studied political science because she wanted to understand and learn about governments "who were making the rules." She added: "I thought governments weren't doing a very good job because look what was happening in Haiti, for example. I wanted to figure out these rules and fix them."

In Jackley's senior year, she went on a study abroad program called Semester at Sea where students traveled on a ship around the world. She said: "This trip was phenomenal. My trip to

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<sup>5</sup> Doug Oster, "Her Goal: End Poverty, One Loan at a Time," *Pittsburgh Post-Gazette*, November 9, 2008.

Haiti in high school made me understand that there were people with very different lives than my own, and that so many people have much less. But I just knew that there was Haiti, and there was my life. It was still just a spectrum, just one axis. Semester at Sea blew that out and made it multi-dimensional.” Jackley also felt that Semester at Sea gave her the opportunity to be “uncomfortable.” Jackley added: “Because I was always class or student body president, every year in high school and college, I always felt like I had this little stamp of approval to say what I thought and that my opinions mattered. But I wanted to see what would happen if I didn’t have that, and I wanted to stand on my own more and to feel uncomfortable.” For example, a tradition during the trip was for students to shave their heads when they crossed the equator for the first time. Jackley followed suit and to make herself feel uncomfortable. “I tried to do things differently on that trip. I didn’t do any extra curricular activities. I lived life very differently for a little while and it was really good for me. I learned all about patience and vanity, as well as questioning who I was in the world, and what my story was.” (Exhibit 8.)

### **The Third Major Moment: Hearing Dr. Muhammad Yunus Speak**

After graduating from college, Jackley moved out to California. She said: “I fell in love and moved to California, sort of on a whim. I found a house that needed yet another roommate, one on Sand Hill Road. But that was all I’d figured out. I didn’t have a bike, job, or car. I walked across campus and handed my resume to the PMP [Public Management Program at the Stanford Graduate School of Business] and I got a job as a temporary administrative assistant for someone else on medical leave.” Jackley ended up staying at the PMP, her job evolving over three years, eventually into the role of senior program manager. The job turned out to be a much richer experience for Jackley than she had ever imagined. She had the opportunity to sit in on classes and to plan events where she had the opportunity to speak with thought leaders in the industry.

On one particular day, at the last minute, Jackley decided to attend an event where Dr. Muhammad Yunus, a Bangladeshi banker and economist, was speaking. “I had heard of him before, maybe, but had no idea what was about to take place,” said Jackley. “I went and sat on the floor and he told us his story—how he taught at a university as an economics professor but wanted to see what poverty was really like, so he walked across town into a village where he talked to people and heard what they needed. He reached in his pocket and loaned 42 women in a village a total of \$27.00, and a whole village was helped. As I was sitting there listening to him, a lightening bolt sort of shot through my system. Everything he said made sense to my head, and spoke to my heart. The way he talked about the people he had met that were in poverty was different than anything I’d ever heard before. He talked about them with dignity and respect, describing how these people worked hard, but it was the system that was keeping them poor, not them, not laziness. I saw poverty in a completely new way, and I saw the poor in a new way too. I thought, ‘I want to go do that, I want to learn about microfinance. I want to sit and talk to people and listen and reach in my pocket and lend money.’” Yunus later founded Grameen Bank, a microfinance lending institution, and also won the Nobel Peace Prize.<sup>6</sup>

Yunus’ talk inspired Jackley to leave her job at Stanford just a few months later. In March 2004, she traveled to East Africa to work for a nonprofit called Village Enterprise Fund that gave \$100

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<sup>6</sup> Yunus Grameen Bank provided small loans to over 5 million people worldwide, charging 20 percent interest. The bank reinvested all but 10 percent of earnings back into its operations.

grants to entrepreneurs to start or grow small businesses. Jackley's job with VEF was to evaluate the impact of the organization's small grants and loans on entrepreneurs' lives. Jackley spent three months traveling from village to village every few days to interview entrepreneurs who had received the funding. "It was the coolest three months of my life," she said. "I would sit down with a goat herder and listen for an hour or two about whether they received the money, what they used it for, what their business was, and whether their lives had changed because of the funding."

To measure changes in the entrepreneurs' standard of living, Jackley put together a survey. "Everyone was so interesting to me, and such beautiful things came out of their mouths—unexpected things, unexpected changes in the way they lived, just because of this \$100. One family said that when their business improved, they sent their first two children to school, but they had to work for two more years to save up for a wheelchair to send their other, disabled child to school. Another family wanted a lock on their door so they would feel safe. Another thought it was best to eat better because they were getting thin and sick. The ways in which these people, of their own volition, chose to change their lives was fascinating to me." But Jackley was quick to point out that, for various reasons, not all businesses succeeded. Even so, she was deeply inspired by these stories and they were just as Yunus had described—stories of "dignity and hope." She elaborated: "Yes, there was need, but they were stories of triumph and stories of effort and of people doing extraordinary things with a little bit of money." (**Exhibit 9.**)

Flannery decided to visit Jackley in the middle of her stint, and the pair talked with small business owners together. Jackley said: "After hearing all these stories, we knew they had to be shared but we didn't want to have donations—what a boring experience. So the task became, how do we share these stories? And the idea of lending seemed appropriate because it was direct and real and what people needed. They didn't need a donation because these were business people. They didn't need a handout."

When Jackley and Flannery returned to the U.S., they met with people in microfinance and wrote a business plan for Kiva. But they were met with skepticism from all sides, on issues ranging from the legal (originally, they considered offering interest to lenders so the loan would be considered a security rather than a donation), the organizational (nonprofit versus for-profit), the USA Patriot Act (risks of funding terrorists), and scalability (a common belief at the time was that MFIs needed money from the capital markets but did not qualify for commercial-grade investment).<sup>7</sup> The Kiva team even cold-called the SEC to get advice. "People would tell us to aggregate risk as a best practice," said Jackley. "It's good in investing but we didn't want to do that. We wanted to enable human connections. We wanted it to be about betting on this person and maybe they fail. Other people would tell us to get people to donate money because they want a tax write-off. But the people that want a tax write-off are giving tens of thousands of dollars. We believed that a lender at the \$25 price point didn't care about tax write-offs. We'd hear these logical commonsense good ideas about our model, but we didn't necessarily follow that advice because we wanted to do something different. We ultimately felt that maybe these advice givers didn't really understand people like my friends and family, people who wanted to lend money to and connect with other people."

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<sup>7</sup> Bethany Coates, "Kiva," Stanford Graduate School of Business, Case E-288, 1/30/09, p. 5.

## THINKING FOCUSED: THE KIVA IDEA

When Jackley and Flannery decided to start Kiva, they focused on one singular goal: to connect people through lending to alleviate poverty. To achieve this goal, they wanted to tell the stories of the entrepreneurs that they had met—so that they could better connect with others who could lend them money. This specificity and focus on connecting one individual to another through storytelling was critical to Kiva’s mission. Jackley said: “When I was interviewing entrepreneurs [in Africa] I became deeply moved by these stories of success. It feels overwhelming to look at the world and say, ‘There are so many problems; what do you do?’ However when you look at one person and you hear their story, the barrier for someone to get involved is so low.”<sup>8</sup> She added: “Yes, Kiva moves lots of money back and forth. More importantly, it makes people truly believe they have the power to reach out and connect with another human being in a really meaningful way. I love seeing people believe in each other, expect more from each other, and believe in the possibility for change for themselves and other people.”<sup>9</sup>

Originally, Jackley and Flannery also explored investing in MFIs themselves directly, but they were priced out of the market since the minimum investments for MFIs were generally around \$50,000 or \$100,000. Flannery said: “We had seven businesspeople in Uganda we wanted to invest in, and we didn’t find any organization that could help us do that.”<sup>10</sup> So they asked their friend, Moses Onyango, a pastor, to help them take pictures of the Ugandan businesspeople, and to collect their stories.

In the spring of 2005, the pair created a website that featured the Ugandans’ photos and stories, along with the amount of money they needed. They then e-mailed their friends and families to solicit “shares” in those businesses and the shares “sold” in one weekend. The Kiva founders sent the \$3,500 to Onyango, who then distributed the money, as well as collecting the money for repayment six months later.

In the meantime, Jackley had also applied to the Stanford Graduate School of Business and began attending in the fall of 2005, just a few months after Kiva’s beta site had been launched (in March 2005). “I was trying to survive accounting class and all the core classes at the GSB while we were launching,” said Jackley. In October of 2005, the team decided to officially launch Kiva. They called on their friend Onyango again to help them find another 12 to 15 entrepreneurs and businesses. The Kiva team published a press release on their site and Kiva was officially launched.

Even much later, when Kiva had already garnered a lot of media attention, Flannery and Jackley stayed true to its original focus and mission. She said: “How Kiva started is still the spirit of the organization today. When we get big corporations saying, ‘We want to pump \$10 million through the Kiva system,’ we say, ‘Oh, you mean by allowing your employees to each have accounts and you’re going to give them all the money as gift certificates so they’ll have the

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<sup>8</sup> Oster, op. cit.

<sup>9</sup> Ibid.

<sup>10</sup> Mary Pratt, “Game Changer Kiva Harnesses IT to Revolutionize Microfinance,” *Computerworld*, January 29, 2007.

experience of choosing an entrepreneur and interacting?’ And when they say, ‘No,’ we tell them that we can recommend some other places to put your funds, or you can donate the money, but we’re not interested because it would take away from our mission of connecting human beings to one another.”

### GRABBING ATTENTION

Initially, the Kiva site was quiet, but in November of 2005, the blog world picked up Kiva’s story with over 300 bloggers writing about Kiva. Two of the largest blogs at the time, boingboing.com and Daily Kos wrote about Kiva and the story of Kiva went viral. In fact, because Daily Kos had featured Kiva on its homepage, Flannery received 1,000 e-mails in one day and Kiva raised \$10,000 that morning alone. In January, the *Wall Street Journal* included Kiva in an article about Grameen Bank. Jackley said: “It was insane. We funded 20 businesses and I felt that we didn’t deserve to be in that article. We weren’t even a registered organization, and we were just winging it.” Shortly thereafter, Flannery quit his day job at TiVo as a computer programmer and started serving as Kiva’s CEO. And Jackley continued pursuing her MBA at Stanford, although she almost quit too, due to the time commitments of Kiva (**Exhibit 10**).

As time went on, traditional media featured Kiva prominently and in 2007, President Bill Clinton described Kiva in his bestselling book, *Giving*. Nicholas Kristof, *New York Times* journalist, profiled his experience with Kiva in an editorial article, and in September 2007, Oprah Winfrey featured Kiva on her television show, thereby crashing Kiva’s site that day and for the next four days following it.

Further, social media played a role. Kiva and the founders also maximized the connections provided by social media outlets such as Facebook, Twitter, and blogs. In fact, they built up the entire Kiva ecosystem so that they would have a presence on Facebook, Twitter and blogs. Since the ecosystem involved 40-plus staff in San Francisco (technology team, microfinance partnerships team, and management team), 40-plus contractors, 9 board members, 100-plus Kiva Fellows; 350-plus volunteers; and hundreds of thousands of friends, the impact was large and infectious (**Exhibit 11**).

Why did blogs, traditional media and social media grab onto Kiva? Jackley believed that one reason Kiva was able to capture the attention of the media, the public, and lenders was because people “fell in love” with Kiva. Jackley said: “I think people fell in love with Kiva and it wasn’t always rational and it wasn’t because we were doing things perfectly. We were scrappy and throwing things together in the beginning. Our business model was ever-evolving. People fell in love with us in the same way they always fall in love. Think of when you have fallen in love and have gotten that attention—it’s not always rational, but there’s something that draws you in or there’s some kind of chemistry. If you can introduce people to that surprise and intrigue them, they fall in love too.”

## ENGAGING OTHERS

### Engaging Others Through Passion

Jackley and Flannery's passion for the entrepreneurs and microfinance was palpable. And because of their passion, they were able to engage others to help Kiva, even if they could not pay for their services. Unlike a typical business enterprise, they raised no funding from angels and other financiers. Instead, they were "scrappy," engaging people to help them in non-conventional ways. Jackley said: "Kiva's funding was from my student loans and we weren't able to pay our staff for the first year. But we offered people to sleep on our couch and eat dinner with us, and that worked. We couldn't pay someone to design our logo, but we told them that this was our dream and asked them, 'Do we own anything that you really want?' So we gave the designer Matt's old guitar. This is what we did in the beginning. When you have a dream and you're passionate and you're in love, you just go for it and get it done."

### Engaging Through Authenticity

Jackley and Flannery were committed to making Kiva a different kind of nonprofit organization, which ultimately helped to engage others. Kiva's philosophy and culture was built upon trust and "radical transparency." Jackley said: "I hope Kiva can connect people in a way that is real and meaningful for them. Although the money that flows through the site is definitely significant, I think the information that flows between lender and borrower is just as, if not more, important. Kiva creates connections that would otherwise be impossible. The information on our site is, above all, transparent. Our model thrives on genuine information, not marketing. The entrepreneurs on Kiva are not promotional material, they are real people who have real challenges and dreams...."<sup>11</sup>

Kiva's founders and staff made sure to tell their authentic stories. Jackley said: "The stories on our site were fun to read and even if you couldn't do much on our site initially, you could read the stories and they were authentic." Moreover, Jackley discussed how Kiva emphasized the importance of telling the stories of the entrepreneurs in a way that did not garner pity, but rather earned respect: "When I see a picture of a woman on our site and it shows all the information about her, I begin to call her an entrepreneur. She's not just a nameless face. She lives in a particular place. She has a business name. She has a nickname, Lizzie, and she needs \$900. She has plans and a story. The emotions I get when I look at her picture are different than ones that I grew up seeing—where the message was to feel bad for these people and then to act."

But being transparent with entrepreneur information did not mean an oversupply of information. Jackley said: "I think there's a sweet spot on Kiva where we have enough information that people can absorb it. We have the picture of the entrepreneur, the narrative, the bullet points such as name, location, business, amount, etc. Below that, as the story unfolds, we have bullet points of repayment on this date, and the journals. I think it's been adequate. We're scrappy and iterative so we just throw it up there and see what happens and see if we need to add to it later. There are some other websites that I think have too much information on them, and that can be really bad."

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<sup>11</sup> "Questions for: Jessica Flannery," [www.gsb.stanford.edu/news/perspectives/2007/flannery\\_kiva.html](http://www.gsb.stanford.edu/news/perspectives/2007/flannery_kiva.html).

Kiva also had a Fellows Program that contributed to the entrepreneur information on Kiva's website. The Fellows Program was inspired by Jackley's dream job from four years earlier, when she worked at the Village Enterprise Fund. Similarly, Kiva sent fellows out to the field to interview 150 businesses and blog about them, as well as conduct a soft audit on how the businesses were doing. Fellows were each armed with a Flip video and could also post videos of their visits. By 2009, approximately 20 percent of businesses had one of these qualitative journal entries, but Jackley's hope was to increase that number (**Exhibit 12**).

Lenders too, could provide a significant amount of information online if they chose to, including photos, reason for lending, location, etc. And lenders were everyday people, not affluent donors or experts. Lenders each had a personal portfolio page that encouraged self-expression, evangelism, and loyalty. The page showed some basic information about themselves, as well as the entrepreneurs that lenders had funded. For example, lender Kari Dykes, a 26-year-old Canadian marketing manager regularly loaned \$25 to various entrepreneurs across the country, ranging from an ice-block seller in Togo, West Africa, to a barbecue-stand owner in Samoa, to a builder in Lebanon. She said: "It's amazing because I'm able to help people who have business ideas and want to grow. The loans help them jump the hurdle of having no capital."<sup>12</sup> Each entrepreneur had paid Dykes back within the time period that they had agreed to (**Exhibit 13**).

### **Engaging Through Open and Honest Communication**

When Kiva needed help or when the organization was overwhelmed, the staff communicated with honesty and transparency, asking for help from others, which had the effect of creating a community. For example, a piece called "A Little Goes A Long Way," broadcast on *FRONTLINE/World* on PBS on October 31, 2006, received such a huge response that Kiva's servers crashed as viewers tried to log on to make a loan. Kiva staff quickly posted a simple homepage explaining that the site was overwhelmed and asking for contribution pledges via e-mail. Kiva then put out a call to engineers and technicians in the Bay Area for help and one company, Greenplum, donated several servers. Kiva received \$20,000 in donations in the first eight hours after the broadcast. After that, another Bay Area company, Media Temple, offered a server-sharing solution, and Kiva was back online within days. According to PBS: "In the month since broadcast, Kiva businesses have received more than \$500,000 in loan funds; that's more than the company had taken in since it began operating in late 2005. Before the snowball effect of the broadcast, it typically took two to three days for a business to be funded on Kiva's site. Now businesses are fully funded within minutes or hours. Viewers have also donated \$100,000 to Kiva itself, which has helped the company expand the breadth and depth of its services."<sup>13</sup>

### **Engaging through Radical Transparency When Things Go Wrong**

Kiva founders and staff also applied a transparent communication style when things went wrong. Since its founding, Kiva had only a few instances of fraud out of 112 MFI partners. Jackley said: "When this happened, we told our lenders what happened. We say we're sorry but you won't get

<sup>12</sup> Roberta Avery, "Changing the World from a Toronto Home, \$25 at a Time," *The Toronto Star*, July 27, 2008.

<sup>13</sup> "Editors' Notes," PBS *FRONTLINE*, December 1, 2006.

your money back because we've had this problem come up, but we hope you'll keep lending, and thanks for hanging in there with us. And then, importantly, we tell them what we're doing to fix the problem. This kind of message draws people in as partners, and says to them, we're doing our best, and we really appreciate them participating in this wonderful social experiment with us. Usually, people actually write back and say, 'Thank you, for being honest. Thank you for telling us what happened. Keep it up. We will lend again.' "

## **ENABLING ACTION**

### **Enabling Action Through a Low Involvement Threshold**

One of the key ways in which Kiva enabled action from lenders was instituting a low threshold of involvement. By having a minimum loan of \$25, Kiva made it easy for everyday people to make loans to entrepreneurs. As stated on Kiva's website: "Kiva democratizes philanthropy, allowing the average individual to feel like a mini-Bill Gates by building a portfolio of investments in businesses around the globe."<sup>14</sup> Jackley believed that Kiva had become so successful because lenders were able to see the impact that they were having on people across the world: "Kiva gives everyone a very specific and doable way of helping someone on the other side of the planet with their particular project. It's compelling and intriguing to say, 'Hey, if you have \$25, we're not even going to ask you to give it away. We're just saying lend it to this goat herder in Uganda, and over the next few months the goat herder will tell you how it goes and give the money back.' And who can say no to that? Most people who try it get hooked. Then to have it actually work and see someone's life change—to watch how, now the kids are in school, now they are able to afford to buy a mosquito net, now the family built a whole new house, not out of mud and thatch, but out of concrete blocks and even an iron sheet roof.... It's really neat to watch those changes and to know that you were a part of that. It's very, very powerful."<sup>15</sup> **(Exhibit 14.)**

### **Enabling Action Through New Tools**

Kiva also enabled lenders to take continuous action by creating new tools to assist them. In 2008 and 2009, the organization launched a new feature, motivated by the fact that sometimes Kiva would run out of loans. A liquidation of partial credit was a way that lenders would receive a portion of their loan back gradually, instead of all of it at the end of the loan term. This way, lenders would know that money was being returned and they could top that off and re-lend immediately if they wanted to. Jackley said: "We wanted to keep lenders sticky and active and have people always lending." Another feature was group lending, according to Jackley: "Our new features such as group lending encourage people to lend in new ways and be their own kind of champions. They can take it upon themselves to do a group lending project for a wedding, birthday party, team, company, or school."

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<sup>14</sup> <http://www.kiva.org/about/ataglance/>.

<sup>15</sup> Monsebraaten, op. cit.

## Enabling Action Through Open Sourcing

Because Kiva's founding was based on a passion and a dream, and the organization was operated in a way that was communicative and collaborative, its users and lenders similarly embraced that culture. For example, a lender created Kivapedia, which was a public "Wiki" (Wikipedia) for all things related to Kiva (**Exhibit 15**). Jackley said: "Our lenders go and do all kinds of things because we are open with our brand and we encourage co-creation. We trust our community not just to participate but to own this with us. They often exceed our expectations in terms of what they create. People do things because they love it and they can feel ownership."

Other lender-created projects were Kiva TV, Kiva podcasts, and the Kiva store where people could purchase T-shirts and tote bags. Jackley added: "I think it's because our lenders are in love and we don't lock up our brand and our materials. We spread them out. We have discussion boards that tell them to use this and that. So we empower our lenders and encourage them and say, 'Go Team.' We think Kiva is a movement that everyone can define to a certain extent and be empowered to promote it in their own community."

## REFLECTIONS AND THE FUTURE

By 2010, Kiva was estimated to have facilitated over \$100 million in loans since its founding.<sup>16</sup> Jackley said: "Instead of sleeping on a reed mat, someone now has a blanket. Instead of mud walls, they have concrete. People have mosquito nets and medicine now, where before there were none of these things."<sup>17</sup> In the future, according to Jackley, Kiva wants to "answer questions like how many borrowers live on \$2 per day now rather than \$1, how many can afford to feed their families at least two or three times daily, and how many no longer have to choose between nutrition, schooling, and medication for their children. Yet this plan requires building more technical infrastructure, training MFIs around the world, and even more monitoring and auditing functions—demands that the organization cannot meet at the moment."<sup>18</sup>

In June 2009, Kiva also launched a pilot expansion in the United States, allowing people around the world to make loans to U.S. entrepreneurs through the Kiva website. Through partnerships with local microfinance institutions such as ACCION USA and Opportunity Fund, people could browse and lend to U.S.-based small businesses. Premal Shah, president of Kiva, said: "Most people think of microfinance as something that helps people in the developing world alone, but the impact of microfinance can be felt in any community that supports creative, industrious entrepreneurs.... Kiva's micro-loan model is extremely relevant to low-to-moderate income, U.S.-based entrepreneurs, especially given the current economic conditions, which make access to credit a very real problem. The Internet could become a significant source of community-driven, low-cost capital for the everyday small business owner in the U.S., and Kiva.org is excited to expand its platform to the U.S. at a time when the need for such capital is greatest."<sup>19</sup> (**Exhibit 16.**)

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<sup>16</sup> Avery, op. cit.

<sup>17</sup> Bethany Coates and Garth Saloner, "The Profit in Nonprofit," *Stanford Social Innovation Review*, Summer 2009.

<sup>18</sup> Ibid.

<sup>19</sup> "Kiva Launches Online Microfinance in the United States," *Market Wire*, June 10, 2009.

Jackley's goals, right from the start of Kiva, were small—to help some friends to be empowered to develop their small businesses. However, the small goals that led to the development of Kiva evolved into large ones—to change the way entire generations thought about poor people in other countries. She said: “What I hope for with Kiva is if future generations have impressions and images of people not focusing on the sadness or the suffering of their situation, but focused on their hard work as entrepreneurs, then we will all slowly begin to assume that better things, more positive things, are possible. We'll assume that there's more potential for a person's life than we have before, based on what many traditional nonprofits have told us in their marketing materials. I think this change of mindset is what changes the world—when people think of each other differently and really deep down in their gut believe that more is possible for another human being, that's when truly incredible things begin to happen.”

## Exhibit 1

### How Kiva Works

#### Choose an Entrepreneur, Lend, Get Repaid

- 1) **Lenders like you browse profiles of entrepreneurs** in need, and choose someone to lend to. When they lend, using PayPal or their credit cards, Kiva collects the funds and then passes them along to one of our microfinance partners worldwide.
- 2) **Kiva's microfinance partners distribute the loan** funds to the selected entrepreneur. Often, our partners also provide training and other assistance to maximize the entrepreneur's chances of success.
- 3) Over time, **the entrepreneur repays** their loan. Repayment and other updates are posted on Kiva and emailed to lenders who wish to receive them.
- 4) When **lenders get their money back**, they can re-lend to someone else in need, donate their funds to Kiva (to cover operational expenses), or withdraw their funds.



Source: <http://www.kiva.org/about/how/>.

**Exhibit 2**  
**Kiva Stats**

Total value of all loans made through Kiva:	\$84,212,060
Number of Kiva Lenders:	532,010
Number of countries represented by Kiva Lenders:	183
Number of entrepreneurs that have received a loan through Kiva:	202,949
Number of loans that have been funded through Kiva:	120,371
Percentage of Kiva loans which have been made to women entrepreneurs:	82.86%
Number of Kiva Field Partners (microfinance institutions Kiva partners with):	107
Number of countries Kiva Field Partners are located in:	48
Current repayment rate (all partners):	98.61%
Average loan size (This is the average amount loaned to an individual Kiva Entrepreneur. Some loans - group loans - are divided between a group of borrowers.):	\$413.26
Average total amount loaned per Kiva Lender (includes reloaned funds):	\$158.42
Average number of loans per Kiva Lender:	4.48

Source: <http://www.kiva.org/about/facts/>.

### **Exhibit 3 Kiva Founder Bios**

#### **Jessica Jackley**

Jessica Jackley is a co-founder of Kiva, and the spirit behind the organization. Jessica first saw the power and beauty of microfinance while working in rural Kenya, Tanzania, and Uganda with Village Enterprise Fund and Project Baobab on impact evaluation and program development. Jessica has worked in the Stanford Center for Social Innovation to launch the inaugural Global Philanthropy Forum, and at Amazon.com, Potentia Media, the International Foundation and World Vision. Jessica has spoken widely on microfinance and social entrepreneurship, and has seen microfinance at work in a variety of communities in more than 30 countries. Jessica serves on a number of non-profit boards, including [Opportunity International](#). Jessica holds an MBA from the Stanford Graduate School of Business with Certificates in Global Management and Public Management, and a BA in Philosophy and Political Science from Bucknell University.

#### **Matt Flannery**

Matt began developing Kiva in late 2004 as a side-project while working as a computer programmer at TiVo, Inc. In December 2005 Matt left his job to devote himself to Kiva full-time. As CEO, Matt has led Kiva's growth from a pilot project to an established online service with partnerships across the globe and millions in dollars loaned to low income entrepreneurs. Matt is a Draper Richards Fellow and a featured blogger on the Skoll Foundation's Social Edge website. He graduated with a BS in Symbolic Systems and a Masters in Analytical Philosophy from Stanford University.

Source: [www.kiva.org](http://www.kiva.org).

### Exhibit 4 Kiva Homepage



Source: <http://www.kiva.org/>

## Exhibit 5 Kiva Entrepreneur Page

The screenshot shows a web browser window displaying the Kiva.org profile for Ana Leticia Molina De Choto. The browser's address bar shows the URL: <http://www.kiva.org/app.php?page=businesses&action=about&id=124566&tpos=10&tpg=1>. The page features the Kiva logo and navigation buttons for LEND, ABOUT, COMMUNITY, JOURNALS, and MY PORTFOLIO. The main content area is titled "Ana Leticia Molina De Choto" and includes a photograph of her in a kitchen. To the right of the photo is a "Make a loan" section with a table of financial details and a "LEND NOW" button. Below this is an "About the Entrepreneur" section with her personal and business information.

Make a loan	
\$900.00	Loan Request
\$250.00	Raised so far
\$650.00	Still needed
\$25.00	<input type="button" value="LEND NOW"/>
29 days left	

**About the Entrepreneur**

Name: Ana Leticia Molina De Choto  
Location: San Salvador, El Salvador  
Activity: Cafe

**About the Loan**

Ana Leticia Molina de Choto lives in Apopa in the department of San Salvador. Ana is 31 years old, lives with her husband, and is the mother of two children: Oscar

Source: <http://www.kiva.org>.

## Exhibit 6 Kiva Lender Page

The screenshot shows a Mozilla Firefox browser window displaying the Kiva Lender Page for Brooke. The browser's address bar shows the URL <http://www.kiva.org/lender/brooke7105>. The Kiva logo and navigation menu (LEND, ABOUT, COMMUNITY, JOURNALS, MY PORTFOLIO) are visible at the top. The main content area features a profile for Brooke, including her location (Kula, HI United States), loan reason (I can.), and membership date (Nov 13, 2007). A 'What are Lender Messages?' box with a 'SEND MESSAGE' button is also present. Below the profile, the 'Brooke's Loans' section displays a grid of four loan cards, each with a photo, name, business type, and a 'Paying Back' progress bar.

Loan Name	Business Type	Location	Repayment Status
<a href="#">San Francisco Group</a>	Retail	Paraguay	75% repaid
<a href="#">Dios Puede Group</a>	Clothing Sales	Dominican Republic	50% repaid
<a href="#">Norma Silvestre Cabello</a>	Food Production/Sales	Peru	50% repaid
<a href="#">Claudina Suarez Tenazoa</a>	Fruits & Vegetables	Peru	34% repaid

Source: Jessica Jackley presentation.

**Exhibit 7**  
**Haiti**



Source: Jessica Jackley presentation.

**Exhibit 8**  
**Semester at Sea**



Source: Jessica Jackley presentation.

**Exhibit 9  
Tanzania**



Source: Jessica Jackley presentation.

## Exhibit 10 Media Exposure



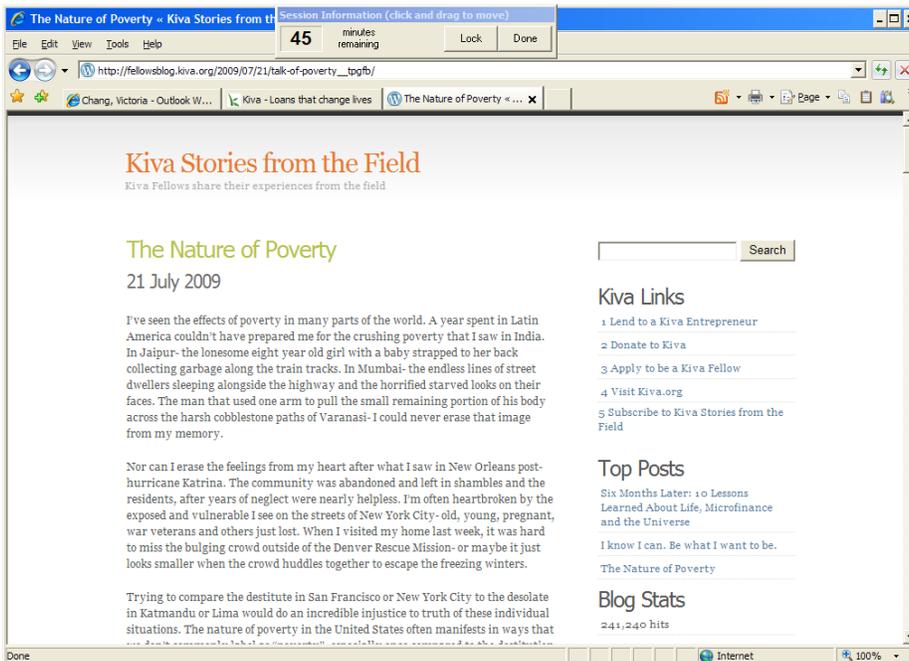
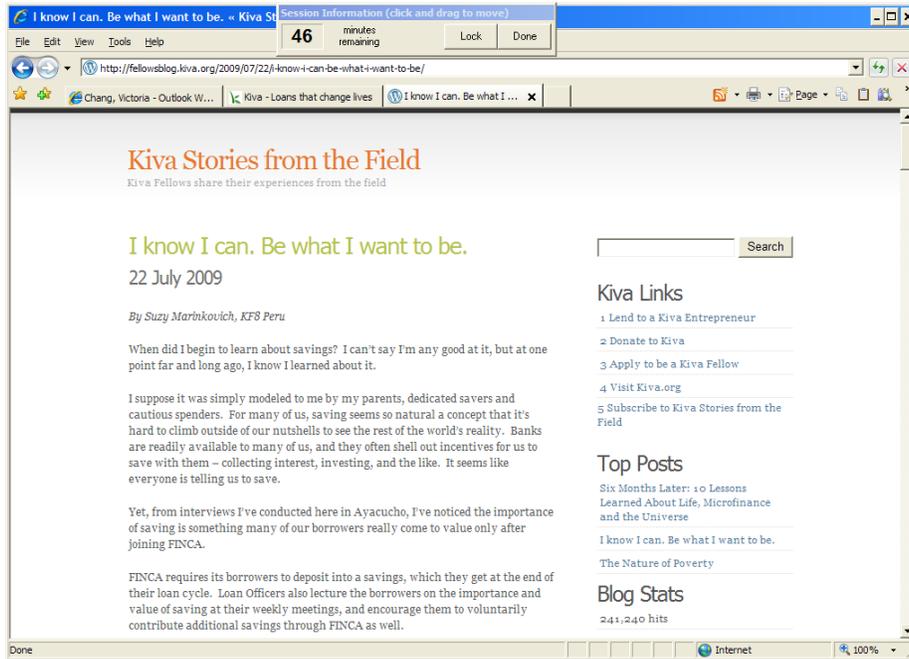
Source: Jessica Jackley presentation.

## Exhibit 11 Kiva on Facebook and Other Social Media



Source: Jessica Jackley presentation and <http://twitter.com/KIVA>.

## Exhibit 12 Fellows Blogs



Source: <http://www.kiva.org/about/fellowsblog/>.

## Exhibit 13 Radical Transparency

**Inaccurate Loan Amount:** Kiva has reason to believe that the loan amount specified by the Field Partner, [Kraban Support Foundation](#), is inaccurate. Specifically, it is likely that the actual amount disbursed to the entrepreneur(s) was significantly different than represented by the Field Partner.

**Inaccurate Photo:** Kiva has reason to believe that the photo uploaded by the Field Partner, [Kraban Support Foundation](#), is inaccurate. Specifically, the entrepreneur(s) differ significantly different than represented in this photo.

**Inaccurate Loan Term:** Kiva has reason to believe that the loan term specified by the Field Partner, [Kraban Support Foundation](#), is inaccurate. Specifically, it is likely that the length of the repayment term was significantly different than represented by the Field Partner.

**Comments from a Kiva Verifier:**

"In July '07, I visited the Kraban Support Foundation and discovered that many of the entrepreneurs had received loans that were smaller than shown on the website. Kraban had used the extra funds to rent an office and loan to other people. Kiva has since terminated our partnership with Kraban."

*To find out more about inaccuracy on the Kiva website, please [click here](#)*

**Theophilus Idama** (inaccurate photo)



**Status: Paid Back**

**\$900.00** Loan Request  
**\$900.00** Paid Back

**About the Entrepreneur**

**Name:** Theophilus Idama  
**Business Name:** Theo's Communication Centre  
**Location:** Dodowa, Dangme \ (inaccurate) District, Ghana  
**Primary Activity:** Services  
**Loan Requested:** \$900.00 (inaccurate)  
**Repayment Term:** 8 months - repaid monthly

Source: Jessica Jackley presentation.

### Exhibit 14 Lender Value Proposition

The screenshot shows a Microsoft PowerPoint window with the title bar "Microsoft PowerPoint - [Class\_5\_-\_Kiva[1]]". The slide content is titled "Lender Motivation" and features a diagram titled "Lender Value Proposition".

The diagram is a 2x2 matrix with "Personal" on the vertical axis and "Institutional" on the horizontal axis. A dashed red circle encloses the top-right quadrant, which includes the KIVA logo and a callout box listing "Personal", "Sustainable", and "Affordable".

Options are categorized as follows:

- Personal / Institutional:** "Adopt a 'XYZ' Programs", "Project-specific giving", "Traditional Charities".
- Personal / Personal:** "Socially Responsible Shopping", "Socially Responsible Investing".

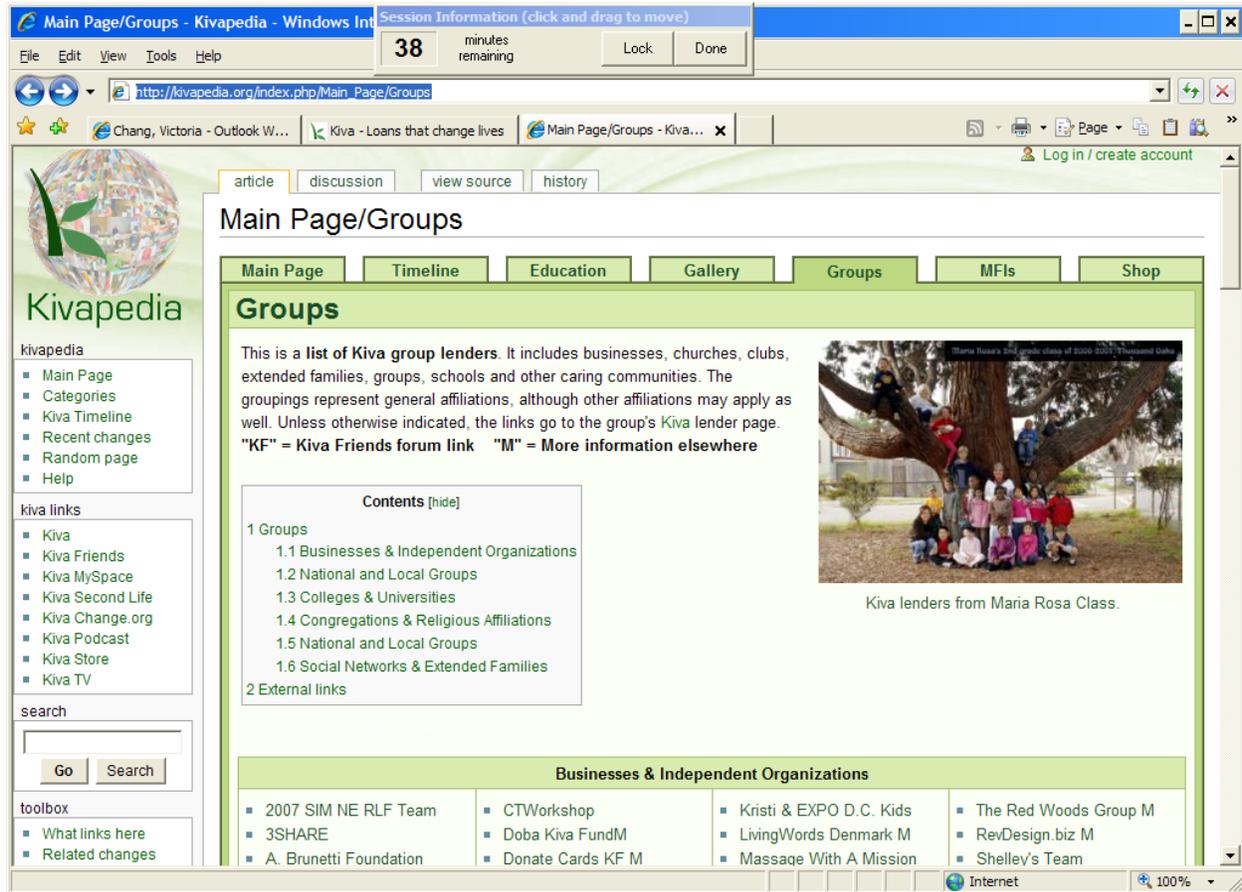
At the bottom, two investment types are defined:

- Donation:** (all your \$ goes away)
- Sustainable Investment:** (your \$ comes back, maybe \$+)

A legend in the top right corner states "circle size = Affordability". The KIVA logo is visible in the bottom right corner of the slide.

Source: Jessica Jackley presentation.

## Exhibit 15 Kivipedia



Source: [http://kivipedia.org/index.php/Main\\_Page/Groups](http://kivipedia.org/index.php/Main_Page/Groups).

## Exhibit 16 Pilot U.S. Expansion

The screenshot shows the Kiva.org website interface. At the top, there is a navigation menu with links for Home, Kiva Gifts, Login, Register, Do More, My Basket, and Help Center. Below the navigation is a search bar and a 'Find Loans' section with filters for Status, Gender, Sector, Region, and Sort By. The search results are displayed in a table format with columns for Entrepreneur / Activity, Loan Info, Country / Partner, and Description. Two results are visible: Joshua, a clothing sales entrepreneur in the United States with a \$1,000 loan and 10% raised; and Erik, a board game shop owner in the United States with a \$7,500 loan.

Entrepreneur / Activity	Loan Info	Country / Partner	Description
 <a href="#">Joshua</a> Clothing Sales	\$1,000 10% raised	United States ACCION USA	After years of working jobs that didn't inspire him, at 25, Josh finally decided to pursue his own ideas. Josh runs a web-based used/new clothing company. In 2008, he took a big step and made his... <a href="#">more &gt;&gt;</a>
 <a href="#">Erik</a>	\$7,500	United States	Erik and Shane seem an unlikely pair to run a board game shop. Shane works as a behavioral specialist for people with

Source: <http://www.kiva.org/app.php?page=businesses&countries%5B%5D=us&status=All>.