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Sharing the Micro Wealth

Kiva.org connects people making microloans to entrepreneurs around the world.

By Jennie Dorris | Entrepreneur Magazine - July 2009

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Matt Flannery (l.) and Premal Shah of Kiva.org
Photo © Eva Kolenko

Three and a half years ago, Matt Flannery was in East Africa when he had a realization. "I had always thought Africa was bleak and oppressed," he says. "But it's a place that is uplifting, because the people are very entrepreneurial." Flannery came back to the States and started [Kiva.org](#), a website that allows people to make microloans to entrepreneurs across the world—a unique blend of Facebook-like networking and angel [investing](#). The website now raises \$1 million a week, mostly from \$25 loans. And potential lenders—who enjoy a 98 percent payback rate—have 150,000 entrepreneurs to choose from.

The company gained a reputation for facilitating U.S. lenders' support of *global* entrepreneurs, but the model will gain new footing in June, when Kiva adds U.S. entrepreneurs to its list of loan recipients. "It lets someone in India [lend](#) to someone in Louisiana," says Kiva president Premal Shah. "And I think U.S. lenders will be excited to help people in their own backyard." Here's how it all works.

1. A lender logs on to Kiva.org to search for an entrepreneur.

"People are basically voting with their money," Shah says. "Out of the 100,000 profiles we've posted, only one has gone unfunded. I think people believe in entrepreneurs; I don't think many businesses would go unfunded."

2. Kiva gets "paid."

"Our 2008 revenue was about \$7 million," says Fiona Ramsey, Kiva's public relations director. "This came from lender donations. We also get some interest from the funds traveling through our [accounts](#) to and from the borrowers and lenders."

3. Kiva wires the money to microfinance institutions.

"We look for credible organizations with a history of lending to the poor,"

Kiva: by the numbers

56.3 hours: The average time it takes a Kiva loan to be funded
31 seconds: Frequency of Kiva loans in 2008 (on average)

337: The number of volunteers signed on to translate Kiva loan descriptions to entrepreneurs and lenders around the world
1 year old: The age of the youngest [lender](#) on Kiva
101 years old: The age of the oldest Kiva lender

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Shah says, adding that these microfinancers also offer education to entrepreneurs. "While people know how to make money, they still need help with cash-flow management, value chains and market development."

4. **The microfinancers seek out local entrepreneurs.**
"The microfinancers market themselves," Flannery says. "They'll drive pickup trucks to rural villages and meet with the village chiefs to let them know that there are banking services available to them."
5. **Entrepreneurs pay back their loans to the microfinance institutions.**
"When people loan through Kiva, it's a zero percent interest loan," Shah says. "Entrepreneurs pay back their loans to the microfinance institutions at an 8 percent to 15 percent interest rate in the U.S., which is a pretty phenomenal rate for someone considered uncreditworthy."
6. **Microfinance institutions wire money back to Kiva.**
7. **Kiva repays its lenders.**
"Our lenders predominantly loan their money again and again," Flannery says.

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