

MICROFINANCING WITH KIVA

An international initiative provided
by Hilti Foundation



Kiva is a nonprofit organization from the United States whose goal is to improve access to finance. This is because more than 1.7 billion people in the world currently have neither a bank account nor access to the financial services they need. Through this initiative, Hilti employees can be part of the solution and change the lives of people in need through microloans.

The NGO offers loan seekers a platform to introduce themselves and then crowdfunds their individual

projects through multiple lenders. Lenders are free to choose the amount they want to invest (minimum 25 USD). In this way, women can start businesses, farmers can invest in equipment and families can afford emergency care.

To date, Kiva has been able to support 3.9 million people from 77 countries with a total of 1.6 billion USD through its platform. The loan repayment rate is 96.3 percent, with many lenders reinvesting the repaid amount right back into other projects.



Philosophy of microfinancing

Small loans in the form of microfinance are an effective means of providing economic and social support to people who do not have access to the financial system. This type of lending makes it easy to reach a large number of people with the same money. The ideal case: partial financing of a loan, repayment and subsequent reinvestment of the same money in another person in need.

This initiative therefore offers Hilti employees as well as their families and friends the opportunity to play a special role in someone else's story. After all, microfinance is not just about money, but about building connections: When a microfinance loan enables someone to start a business, it also creates opportunity for others. This «ripple effect» can impact the future of an entire community.

Origins and achievements

The Kiva-platform was founded in 2005 by Matt Flannery and Jessica Jackley in San Francisco.

A lecture by Muhammad Yunus, the father of microfinance, sparked their interest in this form of lending at the time. Soon after, the duo began to become more involved in social causes and discovered that access to start-up capital was still an insurmountable hurdle for many people.

So the two began working on Kiva, which means «unity» in Swahili. The platform turned out to be a successful model: Shortly after its first anniversary, Kiva was already brokering small loans totaling one million USD. Until today, the platform continues to evolve to meet the diverse credit needs of different people.

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The recipe for success: a broad network of local partners

Kiva serves borrowers in nearly 80 countries on all five continents. Without an extensive network of partners, the non-profit organization would not be able to achieve such an impact. That's why the platform relies on so-called field partners. These partners screen borrowers, submit applications, disburse loans and collect repayments. Most of the field partners are microfinance institutions, but there are also many schools, NGOs or other social enterprises among them. What they all have in common, however, is a desire to improve people's lives through safe and fair access to credit.

Procedure and measures

Applications for loans go through several phases: First, a loan seeker submits an application, which is then reviewed by Kiva or one of its field partners. Once approved, the project is visible to platform users as potential lenders. There are two funding models: fixed requests must be fully raised in order for the funds to be passed on to the field partner. If the amount is not fully funded within the specified

period, the loan is forfeited and the collected funds are transferred back to the lenders' accounts. In the case of flexible requests all collected funds are forwarded to the local partner. The latter then finds other sources of funding to cover the balance. The funds collected on Kiva are then transferred to the field partner and used to cover the loan. As a rule, a fundraising campaign lasts around 30 days.

Once the loan is granted, local partners gradually collect the reimbursements. The amount is based on individual plans agreed with the borrowers. The field partners then pay the funds to Kiva, which in turn transfers the reimbursements to each (micro) lender's account. They then decide whether to reinvest, donate or withdraw the money.

Do you have any questions? You can reach us by e-mail: foundation-ebb.hiltiteam@hilti.com

