**Kiva zip: mission drift or niche extension?**

Kiva’s co-founder Matt Flannery and president Premal Shah did not expect the intense negative backlash from some of the non-profit’s supporters after a recent strategic decision to open a new market. Kiva has been called “the hottest non-profit on the planet” by *Fortune Magazine*, a Top 50 Website by *TIME*, and the “only non-profit that matters” by CNN (O’Brien, 2008). The organization has been lauded by the social enterprise, non-profit, and information technology communities for its innovative approach to funding microfinance in developing countries. Kiva has been touted by celebrities such as Oprah Winfrey and Bill Clinton for its sustainable, empowering approach to poverty alleviation. However, the growth and success of Kiva has not come without its share of controversy. One of the biggest controversies came when Kiva decided to launch in the United States and help people at home. Did this move represent a change in the non-profit’s core mission or the exploration of a market opportunity?

**Kiva Background**

Founded in 2005 by Matt Flannery and Jessica Jackley, Kiva (<http://www.kiva.org>) is an American non-profit organization that allows individuals, with as little as $25 USD, to lend money via the internet to microfinance institutions around the world, which in turn lend the money to micro-entrepreneurs in their communities. Inspired by the Grameen Bank, this model aims to provide small loans for entrepreneurial activities to people in developing countries who are unable to access credit and loans from mainstream financial institutions (Flannery, 2007). Kiva’s stated mission is to “connect people through lending to alleviating poverty” (“About Us”, 2013). Through its crowdfunding for social good model, Kiva currently connects more than 1,463,000 lenders from around the world who have lent more than $458,000,000 USD to approximately 968,000 borrowers in 70 countries (“Statistics”, 2013). Kiva.org is headquartered in San Francisco, California.

Much of Kiva’s success comes from its ability to create community and its commitment to transparency. When an organization, such as Kiva, has emphasized the sense of community it becomes incumbent on leadership to listen to its constituents (i.e., lenders). Flannery and Shah have both hosted community conference calls as well as written directly to the community about the decisions made in the organization (i.e. Flannery, 2013). This initiative is all a part of Kiva’s commitment to transparency. Transparency and trust have been critical in Kiva’s past; when it encountered fraud in collaborating organizations abroad, it divulged the problem immediately and the confidence people held in Kiva seemed not to be shaken.

Flannery had originally seen himself as a Silicon Valley entrepreneur and not a non-profit pioneer. Growing organizations with ambitious, bright leadership come up with new products; Kiva Zip was one of them.

**Challenges for Charities and Non-profits**

In recent years, charities and non-profits have faced a near-perfect storm of compounding pressures. There are an increasing number of organizations, all competing for fewer dollars from government, foundations, and individual donors, while trying to meet a growing demand for their services. As such, organizations currently face challenges of financial self-sufficiency, donor attraction and donor retention.

Pressure to survive or expand can pose a dilemma to charities. The concern is that efforts to reach sustainability or scale may result in a drift from an organization’s stated mission. The term mission drift suggests an unplanned or hidden change in preferences by an organization (Copestake, 2007). This drift risks alienating supporters and donors upon which the organization relies for its existence.

**Kiva Loans in the United States**

In June 2009, after years of fundraising for entrepreneurial loans in developing countries around the world and in response to the financial crisis in America, Kiva.org began posting loans to support borrowers in the United States. As with all Kiva transactions, American loans were facilitated by local microfinance institutions. According to Kiva President, Premal Shah, the change to include American businesses made sense as the financial markets deteriorated and traditional lending began to dry up even in the U.S. (Rao, 2009). Kiva supporters could now fund loans in New York, Boston, Atlanta, and Miami and has since expanded include to California, Texas, Louisiana, Virginia and Michigan (“Where Kiva Works”, 2013). From the time the idea to support low-income entrepreneurs in United States was presented by then California first lady, Maria Shriver, Shah was unsure if lending within the United States fit into Kiva’s model of international development (Rao, 2009).

**Launch of** **Kiva Zip**

In addition to the existing Kiva model that lent funds through local microfinance institutions, Kiva developed Kiva Zip. Kiva Zip (<https://zip.kiva.org>) is a pilot program that permitted lenders to make direct loans to entrepreneurs in the United States. The three major goals were to lend money to entrepreneurs that otherwise could not access needed financing, offer lower fees and interest rates that were possible from other financial institutions, and to build a sense of community between borrowers and lenders.

Borrowers apply online and must have the endorsement of a trustee that vouches for the borrowers’ character. Lenders then search the Kiva Zip website and select the borrower. For the first time, Kiva Zip lenders can communicate directly with borrowers. The trustee can be an individual or an entity supportive of local entrepreneurs and willing to commit on the Kiva Zip website. Borrowers then have access to 0% interest microloans. In contrast, other peer-to-peer lenders like Prosper offered interest rates from 6.73% to 35.36% APR, depending on one’s personal credit rating (<http://www.prosper.com/loans/rates-and-fees/>) while Progresso Financiero offered around 36% APR (<http://www.progressfin.com/en/products/>). Payday loans were much higher; according to the Federal Trade Commission (“Payday Loans”, 2013): “The cost of the initial $100 loan is a $15 finance charge and an annual percentage rate of 391 percent. If you roll-over the loan three times, the finance charge would climb to $60 to borrow the $100.”

**Reaction**

The decision to post loans for American businesses was not met with unanimously positive feelings. Shah’s initial concern that U.S. loans did not fit with Kiva’s original mission of poverty alleviation and international development was warranted as a vocal group of supporters were very upset. Unhappy lenders felt that Kiva had changed their mission.

A group of over 400 Kiva supporters protested the organization’s “shift from making loans exclusively where the needs are greatest to where they are the least,” calling it a “shameful, shameful deviation from Kiva’s core mission” (Watson, 2009). In a cutting commentary on a Kiva message board, lender Tom Behan of Seattle wrote: “The U.S. is the wealthiest and most resource-full nation in world history… To think that we are asking lenders from around the world to even consider lending in the U.S. is a shameful, disgraceful decision by Kiva management, CEO Matt Flannery in particular” (Cassidy, 2009). The major concern was that supporting U.S. borrowers would harm those in developing countries by diverting funds away from those who need it most, the working poor in developing countries. Additionally, some lenders wonder why Kiva would bother lending in the United States when there were already established banks, credit unions, governmental entities such as the Small Business Administration and payday lenders (albeit with high interest), as well as peer-to-peer lenders Prosper and Progreso Financiero.

The story of the angry supporters was quickly picked up by the news media and plastered around the non-profit and international development blogosphere. According to Flannery, while they expected some to be opposed to the decision, the negative reaction was "stronger than we thought… a little more visceral and angry" (Cassidy, 2009). Flannery also says that he’s lost sleep over the negative reactions and that he’s receiving "quasi-hate" mail (Cassidy, 2009).

Has Kiva experienced mission drift? Should Kiva enter what was becoming a crowded space in the eyes of some observers? Should Kiva stick with Kiva Zip and the U.S. loans?

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