



Guide for Borrowers

What is Zidisha?

Zidisha is an internet-based person-to-person lending community that offers high-achieving people in low-income communities the chance to raise affordable small loans, limited only by each person's record of responsible performance.

Who is eligible to join Zidisha?

Zidisha members must fulfill the following eligibility criteria:

1. Have previously taken and successfully repaid formal or informal loans or credit from local sources.
2. Not currently hold any debt or outstanding loans from other sources.
3. Have an active business or employment with sufficient income to ensure repayment of the loan in monthly installments.
4. Have access to the Internet on a regular basis, and be able to upload photos and fill out borrower profile and application forms on the Zidisha website.
5. Be able and committed to posting frequent updates regarding use of the loan and progress of the business on the Zidisha website.

How are the loans financed?

Zidisha loans are not financed by a bank, or by donations. Instead, individual internet users from all over the world visit the Zidisha website and choose loans to fund. When borrowers repay the loans, repayments are sent back to the individual lenders who financed the loans.

Why do lenders choose to fund loans for small business owners in other countries?

Lenders choose to fund loans for various reasons. Many lenders have never traveled outside the United States or Europe, and are curious to learn about life in other countries. Lending through Zidisha gives them the chance to get to know a small business owner on the other side of the world, and to learn about daily life and culture in that country. In addition, lenders wish to help entrepreneurs have the chance to succeed in growing their businesses, and lending through Zidisha allows them to hear directly from the borrower how their loan funds have helped. The direct connection between lender and borrower improves transparency, so lenders can be sure that all of their funds are going to their intended beneficiaries. Though lenders can earn interest through Zidisha, making money is not the main reason most lenders participate. The interest earnings allow lenders to compensate for credit risk and for costs such as money transfer fees and changes in currency exchange rates, so they can preserve the value of their loan funds over time.



How much can I borrow?

Maximum loan sizes depend on each person's previous credit history. The first Zidisha loan is very small, and will usually be less than what you have borrowed from local sources in the past. Once a new member establishes a good performance record by repaying the first Zidisha loan on time, the maximum loan size increases by a fixed percentage with each Zidisha loan that is repaid on time. In addition, Zidisha members may increase their maximum loan amounts beyond the standard fixed-percentage progression by making 100% of monthly repayment installments on time, and by posting frequent and detailed comments on their loan profile pages. Current maximum loan sizes are posted in the Zidisha website "Borrow" page.

What are the fees and interest?

Zidisha does not set an interest rate on its loans. Instead, applicants propose their own preferred interest rate, which may be between 5% and 30%. If lenders find the proposed credit terms reasonable, they may choose to fund the loan at or below the interest rate proposed by the applicant.

Interest includes a service fee of 5% of the original loan amount per year the loan is outstanding (any interest above the 5% is paid to lenders). Zidisha is a nonprofit organization, and the service fee is used to pay for necessary operating costs such as bank fees and money transfer charges.

New members also pay a one-time, fixed registration fee upon funding of their first loan. The registration fee is deducted from the disbursement of the first loan, and is used to pay for the credit history verification that is conducted before a new borrower account is activated. The current new member registration fees in each country are posted in the Zidisha website "Borrow" page.

If your loan is not funded, you are not charged any fees at all.

What are the terms of repayment?

Repayments are made in equal monthly installments, and loans must be fully repaid within one year. Applicants propose their own preferred length of grace period and repayment period, based on their expected income. If lenders find the proposed repayment terms acceptable, they may choose to fund the loan. There is no penalty or reward to repaying a loan early; the total amount of principal and interest due is determined by the original repayment schedule, and does not change based on actual date repaid.

What should I do if I am not able to make a repayment when it is due?

Zidisha members are responsible for managing their business in a way that ensures they will be able to pay loan installments in full on the date they are due each month. If unexpected circumstances make it impossible to deposit a payment in full when it is due, we ask that members notify Zidisha immediately. We will work with you to find a solution that is reasonable and equitable for you and for your lenders.



What happens when I repay my loan according to the agreed schedule?

Once your loan is fully repaid, you will be eligible to post a new loan application for funding on the Zidisha website. Your maximum loan size will increase by a fixed percentage each time a loan is fully repaid on or before its final due date. You may earn additional maximum loan size increases by making every one of your monthly repayment installments on time over the course of a loan.

How is my performance recorded?

All lenders who participated in funding the loan post a “feedback rating” on their lending experience to the Zidisha website. The feedback rating can be either Positive, Neutral, or Negative. Each borrower's profile displays his or her feedback rating as two numbers: the first is the percentage of all feedback ratings that are positive, and the second is the total number of feedback ratings given so far. For example, a borrower that has received 18 positive scores out of 20 total feedback ratings would display the score 90% positive (20). Zidisha lenders are accustomed to using this feedback rating system for financial transactions with unknown individuals over the internet. It allows them to assign higher levels of trust to individuals who have already established an extensive history of similar transaction (as demonstrated by the high total number of feedback ratings), with a consistently high degree of customer satisfaction (as demonstrated by the high percentage of positive feedback ratings).

For new borrowers, an initial feedback rating is assigned by the Zidisha partner who verifies his or her reported credit history. Based on individual checks with the institutions that issued the loans, the partner assigns one feedback rating score to each pre-Zidisha loan. This helps potential lenders to assess the borrower's credit risk.

Zidisha lenders generally assign positive feedback ratings to borrowers who repay loans on time, and also engage lenders by posting frequent, interesting messages and business updates on the Zidisha website.

Will the lenders who funded my first loan continue to lend to me in the future?

If you make repayments on time and communicate with them well, your lenders will be most likely to lend to you again to support growth of your business. In this case you will likely find it possible to fund a larger loan, or to propose a lower interest rate for your second loan.

How do I communicate with lenders?

Each borrower's profile page contains a comment forum, in which the borrower as well as registered Zidisha lenders may post messages and photos. Borrowers and lenders may use this forum to ask and respond to questions, share information and news about the progress of the business and get to know one another. Lenders highly value the chance to communicate directly with entrepreneurs whose loans they have funded or are considering funding, and borrowers are encouraged to post comments in the forum as often as possible.



Why is the amount I received in my loan disbursement payment different from the amount originally requested?

First, currency exchange rates may have changed since the loan was originally requested. Zidisha converts all funding amounts between local currency and US Dollars using the international exchange rates posted on www.oanda.com. We update the website exchange rates on the first day of each month. If a loan application is posted in September, it was converted to US Dollars for fundraising using the September 1 exchange rate. If that same loan is disbursed in October, it is converted back from the US Dollar amount raised to Kenya Shillings using the October 1 exchange rate.

Second, a new borrower registration fee is paid upon disbursement of first-time loans. This covers the cost of the borrower verification needed to activate a new borrower account. This fee is deducted from the disbursement amount so that it does not need to be paid separately by the borrower.

Examples: A loan funded on our website at USD 779 will be converted to Kenyan Shillings (KSH) using the oanda.com rate at October 1, which was KES 77.1494 to one dollar. USD 779 multiplied by 77.1494 is KSH 60,100. From this we deduct the new borrower registration fee of KSH 1,000, yielding a net transfer amount of KSH 59,100.

What are my repayment amounts?

To find your repayment schedule, log in to your borrower account on the Zidisha.org website and go to your loan profile page. The repayment amounts and dates will be listed on that page.

How do I know my repayment is received?

Repayments received are posted on your loan profile page within 3 business days.

Whom should I contact with questions or concerns?

Please feel free to contact us by email to service@zidisha.org or send a text SMS to +254 701-246-957 (Kenya) or +001 703-468-4795 (other countries) if you have any questions or concerns. We provide support to clients in English, French and Indonesian.