



# Kiva Zip: Person-to-Person Lending via Mobile Banking Technology in Kenya

by [Mark Bonney](#) on 05/10/2013 05:28 PM CDT

**Networking Services Used:** SMS or MMS, Mobile Commerce

## 1. What problems are you hoping to solve?

Entrepreneurs at the bottom of the pyramid in Kenya are often excluded from financial services, either because they are too remote for traditional financial institutions to reach them or because the costs of borrowing (interest rates) are prohibitively high. Without access to capital, entrepreneurs are unable to execute on their ideas or grow their businesses and in turn, they are unable to provide for their families and communities.

Simply put, it's really expensive to use traditional methods get loans to rural Kenyans. 65% are outside the reach of microfinance institutions and banks. Literally outside the reach of a branch.

[Kiva Zip](#) uses mobile money transfer technology to radically reduce the cost of loan delivery, and a trust-based system to vet potential borrowers and collect loan repayments.

## 2. How has technology helped to solve this problem? What devices does your solution run on?"

[Kiva Zip Kenya](#) is a person-to-person micro-lending platform that allows individuals around the world to lend to Kenyan entrepreneurs who have trouble accessing capital from traditional banks and microfinance institutions. Some of these Kenyan borrowers live in the most remote areas of the country.

Kiva Zip provides these entrepreneurs with *0% interest* loans by leveraging **mobile banking technology** mobile banking penetration in Kenya is currently 75% and is expected to reach 100% by the end of 2013). By using mobile banking technology in Kenya (M-PESA) to disburse funds and collect repayments and a completely "virtual" model, Kiva Zip loans reach the world's most marginalized entrepreneurs.

Kiva Zip is making credit affordable and accessible to Kenyans by offering 0% interest, collateral-free loans. Our loans are based on character and trust, rather than credit-history or financial due diligence. Borrowers must be endorsed for their loan by a trustee, a person or organization with whom they have a long-standing relationship. Lenders from around the world can fund borrowers who they believe in through our online platform.

In addition, borrowers and lenders can communicate with each other online through "Conversations" feature of the Kiva Zip platform. Borrowers frequently express gratitude to lenders; lenders often ask borrowers about their businesses, where they live, their families, etc. In several cases, lenders have provided borrowers with sound business advice that the borrowers have leveraged to expand their businesses and increase their income.

To view examples of borrowers who have received high-caliber business advice from lenders through Conversations, open these links in new tabs:



Guni: <https://zip.kiva.org/loans/139>



Stephen: <https://zip.kiva.org/loans/38>

*Note: For the sake of privacy, only the borrower, trustee and lenders associated with a loan can view the actual content of the Conversation*

**Inspirational Kiva Zip borrowers & their stories:**

1) Pamela: <https://zip.kiva.org/loans/766>



**“My passion is empowerment. Why should I deny other people the chance that they deserve when there is that opportunity?” – Pamela**

- Pamela is currently repaying her 3rd loan from Kiva Zip
- After personal trauma, Pamela achieved catharsis by launching a program to support women who are HIV positive. With very little/nothing, she starting a support group (now 40 women strong!) and is caring for the orphaned children by starting a school. Her gift & supply shop provides a livelihood to these women.
- Pam is now a trustee and has endorsed another borrower, Veronica Aluoch:
- Pam’s trustee profile: <https://zip.kiva.org/trustees/373>
- Veronica’s story: <https://zip.kiva.org/loans/908>

2) Yohannes: <https://zip.kiva.org/loans/797>



"Before the Kiva [Zip] loan I could eat only once a day - now I get three meals. I can pay for my own rent and I use SMS and the internet daily. Before I would have to leave my studies due to hunger - but now I can focus. I feel more confident and independent. " – Yohannes

- Yohannes is currently repaying his 2nd loan from Kiva Zip
- He was born in Ethiopia and fled to Kenya as a refugee after being falsely accused of espionage by Ethiopian government officials

**READ MORE! Interesting articles and blog posts about Kiva Zip Kenya:**

["Kiva Zip brings Person-to-Person Zero interest mobile Loans to Kenya"](#)

["Kiva Piloting Peer-to-Peer Microfinance Lending Platform Kiva Zip in Kenya, San Francisco"](#)

["All Mobile Everything: The Hottest Tech Happenings in Kenya"](#)

### **3. Where is this solution being used? What company provides the networking service in your area?**

Kiva Zip is disbursing loans to borrowers in many various regions of Kenya, both in urban areas and in some of the most remote locations – for example, Kiva Zip is now providing loan capital at 0% interest for entrepreneurs on Mfangano Island in Lake Victoria. Traveling to a traditional bank on the mainland would require a long and expensive boat ride and, if the borrower were approved, a traditional bank loan would carry very high interest rates.

**Where Kiva Zip Kenya's borrowers live:**



Kiva Zip Kenya disburses loan funds and collects repayments via a mobile banking service called M-PESA, which is owned by operator Safaricom. Approximately 75% of the adult Kenya population already uses M-PESA for mobile payments.

[Learn how M-PESA Works](#)

<http://ourmobileworld.org/post/35349373601/what-is-mpesa-how-does-it-work-how-did-it-start>

### **4. Describe the current and future reach of your program. How can it be scaled to reach a wider audience?**

#### Current Reach

As of the end of April 2013, Kiva Zip has engaged almost 1,000 Kenyans.

*Current program reach at a glance:*

- Amount raised = \$930k
- # of entrepreneurs funded in Kenya = 590
- # of trustees in Kenya = 56
- # of loans repaid in Kenya = 268
- Latest Kiva Zip Kenya repayment rate = 87.9%

## Scaling Up

### Short-term:

Kiva Zip Kenya aims to reach 1,500 entrepreneurs by the end of 2013.

### Long-term:

The central component of Kiva Zip's growth and sustainability strategy is *automation* of the Kiva Zip loan application process to reduce costs for all parties – Kiva Zip staff and volunteers, trustees and borrowers.

With the development of a mobile loan application solution (see details below), we could (at the very least) triple the rate at which borrowers apply for Kiva Zip loans. In addition, in a second phase of development, we are planning on adding functionality that will introduce trustee-facing services: mobile applications for new trustees, trustee training, borrower training,

We've already proven that adoption of a prototype SMS loan application system reduces the time spent on each loan application from 9 days to 3 days.

By successfully automating the entire borrower cycle, from the trustee application and endorsement, through to the loan application and borrower training, we aim to achieve our 2013 goal and grow virally in 2014-2015.

### **5. If you are one of the winning entries, how will you use the award money?**

If Kiva Zip is voted a winning entry, we will use the award money to develop technology that will automate the loan application process, via mobile phones. Loan candidates in isolated areas of Kenya will be able to answer a string of SMS messages, which reassembled will constitute their application for a loan. If approved by their trustees and a Kiva Zip staff member, loan funds are disbursed rapidly to their mobile phone, via M-PESA money transfer.



### [Watch a video](#)

(<http://www.youtube.com/watch?v=82xirPggiWU>) of a Kiva Zip fellow interviewing a borrower-trustee about his experience using the mobile loan application prototype (a borrower-trustee is a borrower who has repaid at least one loan, successfully completed the trustee application process, and endorsed at least one other borrower):

### ***What this means for the Kiva Zip community:***

For the **potential borrower**, the automated mobile platform eliminates the expense of traveling to his/her trustee's location, as well as any time and money spent at an internet café filling out online forms. It also greatly reduces the opportunity cost associated with such travel – time they could have spent with their businesses.

From a **trustee's** perspective, they also will no longer necessarily need to travel to meet with Kiva Zip staff and to train borrowers. Individuals can apply to be trustees via the mobile Kiva Zip platform and also endorse additional borrower via SMS.

For the **Kiva Zip team**, the mobile platform will eliminate the need to manually enter both borrower and trustee application data. Team members will have more opportunity to increase awareness of Kiva Zip in Kenya, focus on refining the Kiva Zip model, and plan expansion into other countries.