Democratizing Financial Inclusion?
Affective Investments in Innovative Mechanisms for Global Poverty Alleviation

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Foreword

Since the 1970s, microfinance (also referred to as microenterprise or microcredit) has emerged as a popular poverty reduction tool in international development. In the past, much of the initial enthusiasm about microfinance was centered on Bangladesh’s Grameen Bank, which provides small loans, largely, but not exclusively to, rural women in Bangladesh. As of October 2011, the Bank had over 8 million borrowers, of whom 97% were women.\(^1\) Much has changed over the last forty years, however. As the microfinance sector continues to evolve, a plethora of new microfinance initiatives and models have emerged, including ones harnessing the power of Internet.

In this article, Anke Schwittay examines the work of Kiva.org – the world’s first person-to-person micro lending website – which uses people’s interest in personal stories and connections to raise microloans online. Her analysis is both timely and insightful as the growth of microfinance inspires a new generation of social entrepreneurs eager to address global development challenges. But as Anke points out, microfinance, including the Kiva model, is not without its shortcomings. Issues of power and representation are placed under scrutiny as she reflects on Kiva’s practices of privacy protection as well as its internal organizational processes.

Anke’s work has grown out of a long-standing interest with microfinance as an assumed panacea for global poverty alleviation. Having resided in and around California’s Silicon Valley for 10 years, she became particularly interested in the use of Information and Communication Technologies (ICT) for the provision of financial services to the world’s poor people. While researching one of Kiva’s field partners in Indonesia, Anke was introduced to microfinance tours, which sparked her interest in the role of performance and fellowship in microfinance.

Presently, she is researching the practices of microfinance tourists and Kiva Fellows as well as representations of microfinance to broaden its constituents through the formation of new affective relationships.

~ Dr. Rebecca Miller, Working Paper Series Editor, Centre for Development Studies

\(^1\) http://www.grameen-info.org/ accessed 29 May 2012.
DEMOCRATIZING FINANCIAL INCLUSION?
AFFECTIVE INVESTMENTS IN INNOVATIVE FINANCE MECHANISMS FOR
GLOBAL POVERTY ALLEVIATION

Anke Schwittay

Abstract— Over the last decade, a number of innovative finance models have emerged to create novel funding streams for global poverty alleviation. They range from institutional mechanisms aiming to harness the power of markets to corporate initiatives tapping consumer choices to social entrepreneurial ventures capitalizing on new technologies and people’s affect. This article examines the work of Kiva.org, the world’s first person-to-person microlending website, arguing that Kiva’s popularity is based on its ability to mobilize affective investments among hundreds of thousands of microlenders. These investments articulate financial, social, and emotional contributions to improve the lives of distant others. The Kiva model is limited however by its commodification of poverty as well as its inattention to questions of voice and privacy that relate to larger issues of power and representation. Finally, the article considers how Kiva’s potential for transformative change could be realized through education, communication, and advocacy.

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Over the last decade, a number of innovative finance models have emerged to create novel funding streams for global poverty alleviation. They range from institutional mechanisms aiming to harness the power of markets to corporate initiatives tapping consumer choices to social entrepreneurial ventures capitalizing on new technologies and people’s affect. On one end of the spectrum, new financial instruments have been created to ensure funding for The Global Alliance for Vaccines and Immunizations (GAVI). Its International Financing Facility for Immunization sells bonds in international capital markets against legally-binding commitments by a number of donor countries, while the Advanced Market Commitment for Vaccines provides up-front financing for the development of vaccines for developing countries (Sandor et al., 2009). The creation of microfinance investment funds to channel commercial capital from a variety of institutional actors to microfinance institutions similarly accesses commercial markets (Matthäeus-Maier and von Pischke, 2006). On the other end are initiatives that connect with the desire of the public, mainly in wealthy countries, to contribute to global poverty alleviation efforts. The RED campaign uses the purchasing power of Western consumers to generate resources for the Global Fund to Fight Aids, Tuberculosis, and Malaria, ‘entwining compassion with consumption’ and harnessing the appeal of aid celebrities (Richey and Ponte, 2011: 127). Kiva.org, the world’s first person-to-person online microlending platform, utilizes people’s interest in personal stories to raise microloans online.

Innovative finance mechanisms have been defined as ‘non-traditional applications of solidarity, PPPs, and catalytic mechanisms that (i) support fund-raising by tapping new sources and engaging investors beyond the financial dimension of transactions, as partners and stakeholders in development; or (ii) deliver financial solutions to development problems on the ground’ (Girishankar, 2009: 3-4, emphasis added). This definition highlights that (some of) these initiatives go beyond purely financial commitments and connections. They give rise to affective investments, which articulate financial, social, and emotional contributions. Kiva.org (henceforth Kiva), the focus of this article, is a good example of such articulations. Given its popularity, Kiva is the focus of a growing number of scholarly works (Barry, 2012; Black, 2009; Gajjala and Birzescu, 2011; Gajjala et al, 2011); this paper will
add to this literature by showing how the organization is able to mobilize affective investments in itself and its cause among hundreds of thousands of supporters.

Launched in 2005 in San Francisco, California, over the last six years Kiva has grown rapidly, both in lending volume and popularity, to the point where it has been called ‘one of the fastest-growing nonprofits in [US] history’ (Coates and Saloner, 2009: 1). Kiva’s mission is ‘to connect people through lending to alleviate poverty,’ which it does by providing a technology platform whereby anybody with a credit card or a PayPal account can lend as little as US$25 to a ‘Kiva entrepreneur’ in over sixty countries around the world. Lenders are repaid their initial investment, but more importantly they receive updates on the use of their loans. These updates serve as a kind of informational interest in lieu of financial interest.

Kiva’s growth, based on the organization’s innovative use of Internet technology, individual participation, and micro stories, is the focus of the second part of the article. I argue that Kiva's model is built on harnessing the power inherent in the double sense of 'being invested in somebody' financially and emotionally (Black, 2009: 277). The affective investments resulting from this connection are the basis of Kiva's broad appeal. This section is preceded by a broader, theoretical discussion that draws attention to larger practices and politics that shape Kiva’s work. The third part of the paper examines the limitations of the Kiva model, focusing on issues of representations and voice, practices of privacy, and the consumption of poverty.

This paper is based on research on Kiva since 2006, consisting of participation in its online and offline activities, interviews with senior staff and Kiva Fellows, and attendance of Kiva-related events in the San Francisco Bay Area between 2006 and 2010, as well as fieldwork at a Kiva partner organization in Mexico in 2009 and Indonesia in 2010.

CONCEPTUAL INNOVATIONS

From its origins in Latin America and Bangladesh in the 1970s to its current
global dominance as a development strategy, microcredit has given rise to broader microfinance interventions that complement loans with savings, insurance, and pension products. This has been conceptualized as a financial inclusion assemblage that articulates diverse subjects, technics, and rationalities, coming together to develop poor-appropriate financial products and services (Schwittay, 2011a). I will sketch the outlines of this assemblage and then look at novel concepts of capital to which this work gives rise.

The Financial Inclusion Assemblage

Microfinance constitutes the foundation and boundary of the financial inclusion assemblage, which is built on the assumption that 2.7 billion people who do not currently have access to formal financial services need and want such offerings (Gajjala et al, 2011; World Bank, n.d.). Financial inclusion calls for scalable models of poor-appropriate financial technologies to serve these vast numbers, which can only be achieved by tapping mainstream financial markets. This is seen as a development problem and a market opportunity. According to the Consultative Group to Assist the Poor (CGAP), a microfinance think tank housed at the World Bank, ‘the worldwide number of poor people that have access to credit is nowhere near market potential’.4

Currently, several thousand microfinance institutions (MFIs) are serving about 150 million poor people the world over (Karnani, 2011).5 These MFIs, which range from traditional non-profit non-governmental organizations (NGOs) to specialized quasi-banks, are increasingly joined by industry players such as commercial banks and high-tech companies, private foundations, and social enterprises. Although these participants are driven by different motivations, from poverty alleviation to profit maximization, what unites them is the will to address the financial needs of poor people through large-scale, market-driven interventions. The implicit social mission of financial inclusion at times collides with the profit motive that drives the financial market emerging around it (Roy, 2010). The controversies around the initial public

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5 Estimates enumerate a core group of 400-500 MFIs, with another 2000-3000 smaller ones operating on the periphery (Cull et al, 2009).
offerings (IPOs) of Compartamos and SKS are emblematic of such debates (Cull et al., 2009).

Among the various technologies of the financial inclusion assemblage, money is of primary importance. Its conventional definition as state-issued tender is giving way to a realization that other forms of currency also need to be taken into account. The Institute for Money, Technology and Financial Inclusion (IMTFI), established by Dr Bill Maurer, a leading anthropologist working in the area of money and finance at the University of California, Irvine with support from the Gates Foundation, carries out ethnographic research that draws attention to alternative forms of currency such as livestock and land, their financial and symbolic meanings, and the social systems in which they are embedded (Maurer, 2010). Its research fellows, who are predominantly researchers from developing countries, show how poor people, as ‘financial innovators,’ link these multiple currencies to mobile communication technologies (Maurer, 2010: 1). Such linkages have given rise to the field of mobile money emerging from the convergence of new technologies and financial practices (Maurer, forthcoming).

Information and Communication Technologies (ICTs) are therefore an important component of financial inclusion. Among these innovations, the cell phone has been seen as the most promising device for the growth of financial inclusion. Since the success of M-Pesa, the SMS-based money transfer system that was pioneered in Kenya in 2007 (Hughes and Lonie, 2007), a great number of initiatives are under way to develop innovative applications allowing poor people to transfer, store, and save money via their cell phones. The Internet is harnessed by social enterprises such as Kiva, which capitalize not only on the technology’s ability to transfer money but also to connect people and create shared experiences. These new forms of m-money (for mobile money) or e-money (for electronic money) are necessitating a rethinking of the nature of, and the regulatory apparatus surrounding, diverse forms of currencies as well as financial inclusion more generally (Karnani, 2011; Maurer, forthcoming). Kiva is part of this financial inclusion assemblage, creating a different kind of electronic money in the form of ‘connected capital’.
Democratic Capital?

Every September, several thousand people gather in San Francisco’s historic Fort Mason for the Social Capital Markets Conference, which positions itself ‘at the intersection of money and meaning.’6 It is the flagship event of the growing field of impact investing, which, supported by the Rockefeller Foundation, is fast becoming another innovative finance mechanism for global poverty alleviation (Bugg-Levine, 2009). Matt Flannery, Kiva’s co-founder and CEO, was an opening keynote speaker at SOCAP 2010, where he talked about Kiva’s connected capital. This is his term for the ‘special kind of money flowing through the Kiva marketplace.’7

Connected capital has four characteristics: it is ‘patient’ because lenders do not seek immediate returns, if they seek returns at all;8 it is ‘catalytic’ because Kiva lenders are drawn to taking big risks in order to make big impacts, and it is ‘accountable’ to ‘high maintenance investors’ who want a return in the form of feedback on the impacts of their loans. Lastly, it is ‘democratic’ because the money is coming from thousands of lenders in hundreds of countries and flows out to borrowers in dozens of countries, including the USA. Flannery thinks that connected capital has the potential to become an important equalizing economic force in the future.

Connected capital is an example of new conceptualizations of financial resources, which came to prominence especially after the 2008 global financial crisis and the resultant indictments of mainstream financial institutions. Similar to the ways in which capitalism has become ‘modified’ to give it a more humane face (Schwittay, 2011b: 73), capital is being endowed with positive and inclusive characteristics. It is thereby harnessed in the service of poverty alleviation, not as the result of its more equal distribution but of the repositioning of capital itself as a force for good. In this process, established development concepts – such as social capital, which has already become financialized as a key repayment mechanism of microfinance

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6 http://socialcapitalmarkets.net/ accessed 2 November 2011
8 Patient capital is a term coined by Jacqueline Novogratz, the founder of Acumen Fund (Novogratz, 2007).
borrowers groups – are being articulated with more mainstream understandings of financial capital to bridge the worlds of finance and development.

Central to connected capital is the idea of ‘giving power to the money of the people’ (Katz, 2008). This impact depends on the participation of thousands of microlenders, which creates the impression of Kiva and similar organizations as a democratic movement based on individual involvement, amplified by social technologies, toward the shared goal of global poverty alleviation (Roy, 2010). But what exactly is being democratized and to what effect?

On the one hand, democratic capital builds on the work of microfinance, which has given access to formal financial services to poor people who were previously considered unbankable. In this sense, financial institutions are imagined to be democratized, especially as microfinance is mutating into a promising niche product in mainstream financial markets. Kiva extends this process by serving the ‘long-tail of MFIs’ made up of organizations too small to access conventional, let alone commercial, funding (Flannery, 2007: 48). It thereby sees itself democratizing access to financial resources for these organizations.

On the other hand is the growing of the circle of lenders, expanding from conventional development institutions, such as multilateral organizations and national governments, to everyday people, who in the process are made to feel like micro-philanthrocapitalists. This version of democratization echoes arguments that microfinance itself constitutes a democratization of development because of its origins in the Global South, which present a reversal of orthodox power and authority relations (Roy, 2010).

If indeed this was a reversal, it was a temporary one. The ascendency of CGAP and its current dominance as the center of microfinance power/knowledge shows such democratization to be superficial at best (Roy, 2010). Similarly, when Flannery (2009a) muses that in the not-so-distant future, lenders in Nairobi will lend money to borrowers in the US or Mexicans could be lending to other Mexicans, this is less a sign of a level playing field or a democratic financial system and more of the growing gap between the wealthy and the poor in developed and developing
countries alike. However, although not necessarily democratizing capital, Kiva has been able to forge new connections on the basis of microlending. It is these connections that are contributing to Kiva’s popularity.

650,000 BILL GATESES

The story of how Kiva started is well-known, not least because of the founders’ high-profile media appearances. The organization is a marriage of Silicon Valley technology – Matt Flannery was a computer programmer at Tivo - and business - Jessica Jackley holds a MBA from the Stanford Business School. Mohammad Yunus provided the initial inspiration that brought Jackley to East Africa to consult with the Village Enterprise Fund, a San Francisco Bay Area organization making microloans to small businesses (Flannery, 2007). It was here in 2003 that the idea for Kiva took shape. The beta site went up in early 2005, with seven loans posted in collaboration with a pastor in Tororo, Uganda. In October 2005 a popular left-leaning blog, the Daily Kos, featured Kiva on its homepage, leading to a sell-out of all loans within a matter of hours. That weekend, Flannery decided to quit his job to become Kiva’s CEO, and in January 2006, Premal Shah from eBay’s PayPal joined him as President.

Since then, Kiva has reached a loan volume of over US $250 million. This growth is based on Kiva’s ability to mobilize affective investments, which are financial, social, and emotional contributions made by everyday people towards improving the lives of distant others, who live at a geographical, material, and social remove from Kiva supporters. It is the articulation of these three dimensions of affective investments, each of which I will investigate in detail, that contributes to Kiva’s broad appeal. The organization has captured the popular imagination, especially in the US, by enabling lenders to feel both affluent and connected to the poor in developing countries, one loan at a time (Black, 2009).

Financial investments: an online marketplace

Kiva’s founders conceived the organization as a ‘self-regulating lending marketplace where microfinance institutions could raise loan capital online’ (Flannery, 2007: 34). As the (technology) platform that enables individual lenders to
donate their money, Kiva pools and then channels these funds to its MFI field partners. These in turn distribute the loans to their clients, who are often individuals organized into lending groups. On a superficial level, Kiva money to the MFIs is free because partner organizations are not charged fees or interest for these funds. This does not lower transaction costs for the MFIs however (Gajjala et al, 2011) because there are costs associated with fulfilling Kiva’s requirements, such as getting borrower profiles and pictures on the website and writing regular updates on their progress. This task is carried out by specially trained MFI staff, often assisted by Kiva Fellows, who are volunteers committed to spending at least 10 weeks with a Kiva field partner.

As an innovative finance mechanism, Kiva complements the growing group of commercial microfinance lenders who invest in Tier 1 MFIs. It targets thousands of less-established MFIs, and by supplying them with operational capital, as well as reputation-building on the Kiva website, the organization aims to ready them for future commercial capital (Flannery, 2007).

The characterization of Kiva as an online marketplace is important for a number of reasons. It firmly situates the organization within the social entrepreneurship culture of the San Francisco Bay Area, where Kiva is headquartered. Its leaders, who have been celebrated as social entrepreneurs by organizations, such as the Skoll Foundation, the Clinton Global Initiative, and the World Economic Forum, share the region’s dream of making the world a better place with the help of information technology. Indeed, Kiva wants to become ‘the world's hub for alleviating poverty’ by 2014, through raising US$1 billion for two million entrepreneurs around the world (Grassano, 2009).

Being an online marketplace, with its connotations of business efficiency, transparency, and impact, negates any association of Kiva with charity and legitimizes it in the eyes of Silicon Valley. Accordingly, Flannery argues that ‘business is a universal language that can appeal to people of almost every background. This can lead to partnerships rather than benefactor relationships’ (Flannery, 2007: 40). Instead of playing on lenders’ guilt or compassion, Kiva tries to appeal to their interests in and sense of respect for others. However, as scholars of
the current humanitarian ethos, which Kiva shares, have shown, its moral and emotional dimensions cannot neatly be separated from its legal, or entrepreneurial, ones (Wilson and Brown, 2009).

Lending on Kiva is seen as a way to establish a connection between two people. In the process of making a loan and receiving repayments and updates, money becomes transformed into a form of communication that is imagined to be ‘more binding than a donation’ (Flannery, 2007: 40). Lenders bear the risk of loan default, which is also seen as contributing to their interest in seeing ‘their’ borrowers business ventures succeed. This interest must serve as a stand-in for financial interest, which Kiva cannot pay to its lenders because of complex Security and Exchange Commission (SEC) regulations (Flannery, 2009a).

SEC rules are only the tip of Kiva’s regulatory iceberg, much of which is invisible but no less crucial for the successful operation of the organization. Kiva itself is a complex legal structure, consisting of a nonprofit arm that owns a separate California-registered shell company acting as a clearinghouse for the loans (Flannery, 2008). Kiva’s nonprofit status generates lender trust\(^9\) and enables in-kind donations and financial sponsorship by companies, as well as pro-bono work by some of the best tax and legal minds in Silicon Valley. The extent of this work, according to Kiva’s financial statements, speaks to the intricate legal and financial structures within which Kiva operates.

At the heart of all this is the Kiva website, as the hub where all Kiva users meet. The website underwent a complete design in early 2011, partly in response to questions about its transparency (Barry, 2012; Roodman, 2009a). Behind the homepage dominated by photos of faces, impact counters, and social network plugins is a steadily growing site with information about over 630,000 individuals from 218 countries who have lent over US$ 250 million to 670,000 Kiva borrowers in 61 countries. This information is updated every night between 1.00am and 3.00 am PST, showing one of the appeals of the website to be its ability to provide (almost) real-time information that keeps Kiva fans glued to the site. Creating an environment

\(^9\) 50 percent of lenders said that they would not be using the site if Kiva was a for-profit organization (Flannery, 2007).
where ‘philanthropy can actually become addictive’ (Flannery, 2007: 40) contributes to the power of affective investments mobilized via the site. It is enabled by the technological possibilities of the Internet, on which Kiva’s existence and expansion depends (Pratt, 2007).

Following the success of Facebook and Twitter, the Internet is thought to offer ‘limitless potential’ for growth (Jackley, 2009). Its efficiency makes possible Kiva's high leverage ratio, a measurement of the amount of money sent to borrowers as a factor of Kiva's cost. In 2008, for every dollar Kiva spent, $9 was sent to borrowers, and Kiva aims to become ‘one of the most high-leveraged philanthropic opportunities in all of history’ (Flannery, 2009a: 42). In the process, philanthropy is given a Web 2.0 twist. It is thus the financial dimension of affective investments, in the form of monetary contributions from Kiva lenders, which forms the basis of the Kiva appeal. This appeal is strengthened by the loans’ social complement, which are the connections forged via the site.

**Social investments: making connections**

Flannery describes lending on Kiva as a means of building connections to alleviate poverty. The aim is to establish ‘dignified, intellectual and equitable’ relationships between people that can raise awareness of the lives of distant others and at the same time help support them (Flannery, 2007: 32). In order to make these relationships appear straightforward so as to fit into Kiva’s narrative, they are disembedded from their larger social and political contexts. They are also investment relationships based on the exchange of money among individuals and intermediary organizations (Selig, 2011).

This social investment begins when a potential lender comes to the site to choose a borrower. Usually there is a choice of hundreds of individuals from dozens of countries, and lenders often choose borrowers for reasons of personal resonance. There might be identifications with particular parts of life stories, similarities in occupations, or personal preferences. One lender to INM, the Indonesian

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10 Names of the organization and associated individuals are pseudonyms.
organization where we were conducting research, became upset when she found out the loan she thought she had made to a rice-growing group actually went to a pig-raising group. As a devout vegetarian, she did not care about the centrality of raising pigs in local women’s lives and livelihoods.

Lenders make their choices with clear preferences: ‘Africans first, women first, and agriculture first’ (Flannery, 2007: 50). These preferences are constituted by (neo)-colonial and development discourses of especially women that permeate representations of poverty and development (Dogra 2011; Wilson, 2011). In addition, loans also ‘offer a way to enact a familiar fantasy of escape from the pressures of modernity’ (Black, 2009: 285). Idealized depictions of pastoral livelihoods are best able to tug on lenders’ heart strings; it was partly to counter this sentimental lending preference that Flannery wanted to institute interest payments to lenders.

Once the loan has been made, the lender receives regular updates, which are written by MFI staff or Kiva Fellows. For a loan we made to an INM lending group, we received two updates, one of which arrived while we were in the field. It was written by Anna, INM’s Kiva Fellow at the time, who talked about her visit with Deti, the leader of the lending group: “It was amazing to see Deti who operates a warung (a small store) in her house and talking to her about her business I could see how important it is for her... The [Kiva] loan made it possible to purchase additional inventory for her store like rice and pig feed to sell in her neighborhood. With this business she earns now about 800,000 Rupiah (about 80 Dollar) a month.” Anna’s description repeated the standard microfinance story of economic growth through access to loans. When we visited Deti a couple of days later, however, she told us that she was not able to show us her store which had been closed for a while because her husband had just returned from a lengthy hospital stay. This discrepancy speaks to the pressure for loan updates to upkeep the official success story of microfinance that is portrayed in the above report.

There are occasional reports of hardship, especially in blog posts by Kiva Fellows. Such critical accounts, however, ‘are drowned out on the [Kiva] site by the more optimistic narratives of entrepreneurial success that inspire lenders to make loans’ (Black, 2009: 286). This was confirmed in our interview with INM’s dedicated
Kiva manager, who was concerned that the organization would lose its credibility if it did not become a bit more honest about some of the challenges faced by its borrowers. In contrast to Kiva’s slogan, he argued that loans on their own don’t change lives but need to come with training and other forms of social support to make a positive difference in people’s lives.

As it stands, borrower-to-lender communication on Kiva is heavily mediated, truncated, and to some extent scripted. In spite of an early promotional video showing an African Kiva borrower sitting in front of a computer sending an email to her lender in San Francisco, borrowers are usually spoken for by others, their stories simplified and made to fit expectations of successful microfinance entrepreneurs. This is not only the result of a technological divide, but also of larger issues of representation and voice that will be explored below.

In contrast to this limited communication, lender-to-lender connections have been proactively fostered by Kiva, acknowledging that lenders form the organization’s main constituency on which the growth of the organization depends. To cater to their needs for community, connection and caring, in 2008 Kiva established the possibility for lenders to form lending teams with like-minded individuals. Calling Kiva supporters Kivans contributes to this identification. There are now over 20,000 lending teams, with the largest ones - the atheists with over 18,000 members and Kiva Christians with almost 8,000 members - having lent US$ 5.5 and 3 million, respectively. Lending groups are a particular form of sociality that capitalizes on the popularity of social networking sites like Facebook, while at the same time trying to maintain the focus on the goal of poverty alleviation.

As one Kiva supporter noted, a bit of friendly competition goes a long way, encouraged by the ‘Team Leaderboard’ feature that shows which team has lent the most money and recruited the most new members in any given month. This competitive environment extends across the Kiva site, where MFIs and their borrowers are also competing for the attention of potential lenders (Selig, 2011). While it speaks to the market mentality that drives Kiva, it also reinforces the way in which (self)-representation of borrowers must conform to lenders’ ideas about poverty and the poor.
The social investments enabled by Kiva, although purportedly establishing relationships between lenders and borrowers and increasing understanding and awareness, have given rise to strong connections among lenders. Both contribute to the mobilization of affective investments, and feed into their emotional dimension.

**Emotional investments: the power of small**

Flannery claims that ‘we appeal to people’s interest, not their compassion’ (2007: 40). He thereby discounts a particular contemporary structure of feeling that results in the fact that ‘we are more likely today to have sympathy for, and even to do something to alleviate, the suffering of people and animals distant from ourselves – geographically, culturally, in their species being – than were men and women three centuries ago’ (Laqueur, 2009: 32). Indeed, members of Kiva’s largest lending team proclaim that ‘we loan because we care about the suffering of human beings.’ A number of scholars have pointed out that it is indeed a ‘humanitarian emotion’, defined as ‘the affect by virtue of which human beings feel personally concerned by the situation of others’ that is crucial for such acts of caring and sharing to take place (Fassin and Pandolfi, 2010: 269). In fact, it is precisely the ‘mobilization of empathy’ through ‘time-honored techniques to generate compassion’ that gives rise to contemporary concerns about and care for distant others (Wilson and Brown, 2009: 19).

Similarly, the power of the Kiva model derives from capitalizing on the double meaning of ‘being invested in someone’ (Black, 2009). By articulating capitalist notions of financial investment and emotional feelings of sympathy for others in need, Kiva has been able to harness people's economic self-interest and their desire to feel connected to a larger purpose. This emotional dimension of affective investments works on a collective and an individual level.

Collectively, it empowers lenders in the Global North to feel that their small contributions are making a visible difference in other, less fortunate, people's lives. These might be small contributions, but their aggregation leads to Kiva’s impressive loan volume. The message behind this power of giving and the emotional
satisfaction it creates has been highlighted in books like Bill Clinton’s *Giving*, which presents Kiva as an ‘innovative solution’ contributing to the democratization of charitable giving (Clinton, 2007: 27). It is this collective action, as Kivans, that bestows a sense of possibility and potential to make a difference in the world, however small this may be on an individual level.

Smallness also works through micro-narratives that move people’s emotions. ‘Kiva’s visual and verbal insistence on smallness – on personal profiles, on modest loans, and on small businesses – creates the condition under which sentiment offers an effective corrective to overwhelming (and thus easily abandoned) ideas of global responsiveness’ (Black, 2009: 287). Stories of individual Kiva borrowers work not only as a marketing device and as the differentiator from other online lending platforms, but also as the emotional glue of the site. The easy consumption of simplified stories about borrowers, coupled with the small size of $25 loans, makes Kiva attractive to lenders.

Specifically, it is the person-to-person connection between lender and borrower that is imagined to hold the promise of emotional satisfaction. When Roodman revealed this personal relationship to be an illusion (because loans are often not made to the individual on the site, but to other clients of the MFI), he caused much debate in the blogosphere (Flannery, 2009b; Roodman, 2009a, 2009b). The tenor of the discussion was that the illusion did not matter in light of Kiva’s overall impact; this reveals the extent to which the organization has been able to create emotional connections to itself and its work. It also revealed the attraction of a model that ‘let[s] the average person be like a Bill Gates or a Rockefeller,’ in the words of Kiva’s president (quoted in Heim, 2006).

Emulating successful capitalists-cum-philanthropists does not, however, encourage Kiva lenders to reflect on their own privileged position in the global system whose inequalities are creating the very conditions Kiva’s work is trying to alleviate. The next section will take a closer look at these shortcomings.
THE COMMODIFICATION OF POVERTY

Deti is a 35-year-old female . . . married and has four school-aged children. She owns and operates a general store, selling daily-use products such as shampoo, soap, and toothpaste in the local community. She has been engaged in this business for over a year and earns approximately 1,000,000 IDR a month. In 2010, [she] joined INR to gain access to financial services to help improve her living situation and her ability to engage in business activities. She is now requesting a loan of 2,500,000 IDR which will be used to purchase additional inventory and used as working capital.

This description of the borrower we lent to at INM is a standard story found on Kiva, replicated thousands of times on the site. There are exceptions; some MFIs post more colorful and detailed narratives. However, the use of questionnaires as the basis for composing what is called borrower profiles usually results in such standardized accounts, produced by Kiva’s efficient ‘story factory’ (Flannery, 2009a: 42). In this part of the paper, Kiva’s practices of representation and privacy protection, as well as the consumption of poverty to which it gives rise, show the limits of its model.

Narrating the poor

The original impetus for Kiva came from the founders' realization that the personalization of microloans, through images of borrowers and stories about their lives and business progress, was particularly attractive to potential lenders (Flannery, 2007). What Black calls Kiva’s ‘irresistible narratability’ (Black, 2009: 276) is one instance of the ‘strong narrative and representational dimension’ that enables humanitarianism to mobilize large constituencies for social causes (Wilson and Brown, 2009: 2). Kiva profiles, by portraying borrowers as active agents of their destiny who need a hand up, in the form of a Kiva loan, speak to changing representational practices in development (Schwittay, n.d).

As stories are the currency in which Kiva lenders are paid, they, and the people portrayed by them, need to be represented in a way that entices lenders to
care about the lives of borrowers, giving rise to the aforementioned stereotypical depictions. Furthermore, for visitors to the Kiva site to become lenders, the stories must give them a sense that ameliorative action is possible (Laqueur, 1989). One way to achieve this desired outcome is to focus on individuals, and Kiva has masterfully created this framing, beginning with the thirty-six faces looking back at the viewer of the homepage. Moving the cursor over the pictures displays the standard borrower information and a huge ‘Lend Now’ button. Action is only one click away.

Studying the process by which borrower profiles get on the Kiva site shows that the people they represent are not masters of their own stories. They are composed by specially-trained MFI staff with the help of a standard questionnaire that generates a uniform narrative giving the age of the person, family circumstances, the type of business to be supported, and the causes to which earned money will be put (Flannery, 2009a). Such elementary information creates familiarity rather than alterity, a process that is reinforced when profiles resonate with middle-class values of economic and educational improvement. In a similar fashion, the pictures that accompany almost all profiles are like snapshots taken by ordinary photographers to minimize the perception of difference between borrower and lender (Black, 2009). If one looks closer, one can sometimes see that especially women look uncomfortable; if they, erroneously, think that having their picture taken is necessary for them getting a loan, then they might pose with a reluctance that shows in the pictures.

Borrowers’ pictures and stories are not neutral reproductions of their lives on the Internet. They need to be appealing to lenders who can choose among dozens of online profiles. Faces need to come across as honest, their owners as hard-working, in need, and deserving. Because stories must be short and simple, they are necessarily truncations of complex livelihood struggles, which in the process become ‘minimal, condensed and powerless’ (Butt, 2002: 6). Local experiences become ‘a shorthand for the effects of poverty’ (ibid.) and as such serve as illustrations of international development narratives, in this case about the poor as always already

\[\text{In some cases, like loans in Iraq, the faces of the borrowers might be blurred to protect their identity.}\]
entrepreneurs. This portrayal also has homogenizing and essentializing effects, whereby Kiva’s discursive practices become constitutive of the knowledge about Kiva borrowers (Dechaine, 2002).

Borrowers’ stories are also always mediated (Wilson and Brown, 2009). Although lenders can post directly on the site, borrowers cannot speak for themselves, and their stories are appropriated for the larger cause of financial inclusion via Kiva. The questions of rights, ownership and authority that result from the use of an individual’s story by somebody else become then compounded by the instrumental nature of the appropriation: to raise money (Shuman, 2005). This is not just a digital divide question but also one about the, as yet unrealized, ability of borrowers to participate as equals in a conversation about their lives. Unless Kiva addresses these imbalances, browsing through its long lists of actual and potential borrowers could become a form of ‘complacent neoimperial voyeurism’ (Black, 2009: 284), satisfying lenders’ desire to reassure themselves that they are better off than others (Shuman, 2005).

Borrowers’ profiles then do not lead to social transformations, but inspire ‘facile sympathy from afar’ (Butt, 2002: 7). Borrowers are not entirely without agency however, as they have learned to perform the appropriate role it takes to obtain a loan (Roodman, 2009b). In addition, concerns about Kiva’s privacy practices have resulted in greater attention to borrowers’ protection.

Privacy on the Internet

When we visited Deti, we showed her a printout of her Kiva page. Never having seen the page before, she was surprised at the sight of her picture, not knowing why it was there or even where exactly it was displayed. The loan officer who was with us confirmed that Deti did not know anything about Kiva, and purposely so. He told us that it is not in INM’s interest to let its borrowers know that their loans are coming from abroad, because then they will think of them as charity that does not have to be returned. Anna, INM’s Kiva fellow, confirmed this attitude.

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12 When early in Kiva’s history a New York Times reporter went to visit his borrower in Afghanistan, he found out that the baker did not know anything about him or Kiva (Kristof, 2007).
and attributed it to the damage done by foreign aid in creating a dependency attitude. A commentator on her blog post asked whether it might also lower the borrowers’ esteem for INM if it was revealed not to be the actual source of the money. Although this question is an important one that cannot be answered without more empirical research, it points to the larger issue of privacy raised by the very public nature of information about borrowers on Kiva’s site.

Flannery argues that information on the site ‘cannot violate a particular individual's personal right to privacy’ (Flannery, 2009a: 37). What these rights are is open to debate, especially in places where privacy legislation might be nonexistent or rudimentary. To ensure that borrowers are informed about their public profiles, in early 2010 Kiva made it mandatory for all field partners to have borrowers sign standardized client waivers, giving their consent before information is published on the Internet. As Anna explained, the waiver is rather general and does not mention Kiva; it only alerts borrowers to the fact that their information and photos can be put on the Internet. Explaining this procedure to a borrower who might never have heard of the Internet can be tricky. She also pointed out that before her placement, INM had made borrowers sign the waiver as part of the general loan application package, without actually explaining the content or purpose of the document.

To protect INM’s interest, Anna helped it work out language with which its field officers could explain the waiver to their borrowers. The latter are now told that their information will be in a public space, where it can be seen by people around the world, although the greater concern of borrowers is probably immediate neighbors. This language also includes information about the fact that the organization that lends the money to INM gets paid back and that this money comes from people around the world, including Indonesia. Borrowers have the option to withhold their pictures, or to opt out of a Kiva loan with all its strings attached, in which case INM, like other Kiva partners, must offer her one of its non-Kiva loans.

Although the client waiver presents a bureaucratic solution to the privacy issue, it does not address the underlying power imbalances. When Flannery joked at the 2010 SOCAP conference about the difficulties of explaining to a borrower that her loan was made by a cat, he elicited much laughter from the audience. However,
that lenders can post pictures of their pets to represent themselves, or indeed establish Kiva accounts in their names, while borrowers have no such liberties, shows the unequal obligations to make oneself visible.

This situation holds equally true for Kiva's self-claimed status as the ‘world’s largest database of micro-entrepreneurs’ (Flannery, 2007: 54). The idea is to legitimize a person's financial history, good or bad, by providing a public record of it that can follow the person around. Shah tells the story of Tororo, where Kiva started and where its site is becoming a ‘bulletin of creditworthiness’ that older people use to check up on their neighbor's repayment rates (Shah, 2008). Although he celebrates this as Kiva incentivizing people to learn how to use computers and as proof of the way in which Kiva is becoming a developing country credit bureau, questions about people's rights to privacy, especially concerning their financial transactions in often unsafe environments, call for a more critical engagement with the effects of Kiva’s practices on people's lives. This concern holds also true for the ways in which poverty and the poor are commodified.

**Consuming poverty**

Flannery (2009a) claims that Kiva creates increased understanding, leading to increased empathy and generosity among lenders. To facilitate this process, Kiva instituted gift certificates, which also enable it to keep up with the strong demand for its loans around Christmas time. As a socially-conscious gift-giving option, certificates are promoted as a way to counteract the consumerism that grips many at that time of the year. However, ‘the very ease with which a Kiva investment can double as a gift substitution should suggest its fundamental structural similarity to the consumption it critiques’ (Black, 2009: 285-6). Indeed, Kiva constitutes a ‘market for livelihoods,’ where lenders can shop for the most opportune ‘investment opportunity’ (Selig, 2011: 90).

Similarly, the way in which Kiva lenders can pick and choose among a large number of borrowers, put them in their ‘basket’, and assemble their ‘portfolios,’ in the

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13 Expired gift certificates are also a source of operational revenue for Kiva.
process of making choices that are guided by sentimental reasons rather than concerns for and knowledge of real need, does not necessitate lenders to engage with the underlying reasons leading to borrowers' poverty. Instead, the latter are commodified in the service of making lenders feel better about their own consumption choices and adding some meaning to their busy lives.

While trying to democratize people’s participation in global poverty alleviation through micro-lending, Kiva must by its nature remain a technical solution that cannot address poverty’s structural causes. At best it can, and does, provide an initial, superficial contact point for people in the global north to learn about microfinance and the lives of people in the global south. Giving from the safety of their homes does not make lenders question their own roles in creating the global inequalities causing poverty in the first place. Instead, and in spite of its rhetoric, it preserves the distance between lenders and borrowers, and more generally the asymmetrical and non-reciprocal relationship of philanthropy that continuously reasserts lenders as active agents and borrowers as passive recipients (Shuman, 2005).

These limitations are not unique to person-to-person micro-lending, but are shared by other consumption-based finance mechanisms, such as Fair Trade and the RED campaign. It relates to the larger discussion of whether consumption, even when coupled with providing information about producers, or entrepreneurs, can change the unequal structures of the global economic system. Or is Kiva actually an instance of ‘missionary capitalism’ that does little to alter economic hierarchies (Black, 2009: 283)? Is the ‘low-cost heroism’ of RED consumers reinforcing transnational capitalist structures while promoting the saving of African AIDS patients (Richey and Ponte, 2011: 83)? Do the world’s poor become marketable commodities, resulting in a ‘reshaping [of] the ethicopolitical landscape of development through the shopping habits of individual consumers’ (Selig, 2011: 53)?

What these questions point to is the ‘enabling contradiction’ that makes Kiva and other innovative financing models that mobilize the affect of everyday people so successful and limited at the same time (Black, 2009: 284). Articulating ‘egalitarianism and elitism,’ they allow its supporters to feel close to the poor and
reaffirmed in their middle-class status at the same time. Addressing this contradiction might also show a way towards realizing the potential such finance schemes hold.

CONCLUSION

A shift from providing information to education, about the complexities of poor people’s lives and livelihood struggles, about the structural causes of poverty and about the real degree to which donors and recipients are imbricated in each other’s lives is an essential step towards transformational social change and democratizing financial inclusion.

In particular, Kiva has the potential to serve as a technology platform where a meaningful global dialogue about poverty can take place. This would include borrowers telling lenders about themselves in ways to go beyond the scripted snippets now found on the site. Borrower or MFI networks of support and information sharing, modeled after the lending groups, are another way in which the Kiva site could facilitate such a conversation. Then, Kiva could host exchanges that take place in all directions and allow all members of the Kiva network to participate. Real learning, going beyond due diligence procedures that ensure that the Kiva system is as transparent as possible, could result from such an opening.

Part of this education must be about the shortcomings of microfinance, from the over-indebtedness in which it can result to its questionable impact on women's empowerment or the heavy-handed nature with which loan repayments are sometimes collected (Karim, 2011). Flannery acknowledges that lending is not a magic silver bullet for poverty alleviation and ‘can also be quite harmful when placed in the wrong hands,’ by which he means MFIs ‘that get it wrong’ (Flannery, 2007: 55). On the Kiva website, visitors are mainly treated to CGAP’s view about the importance and impact of microfinance. They can also learn that microfinance might be inappropriate in certain circumstances. There are no references however to some of the detrimental effects microfinance can and does have. Painting a simplistic picture of microfinance is not exclusive to Kiva, and the desire to understand all of its facets goes beyond the Kiva job description and most lenders' interest.
Moving beyond individual acts of lending is another direction in which Kiva can steer its hundreds of thousands of supporters. Flannery speculates that maybe one day Kiva might ‘wade into advocacy [based] on a large list of highly engaged, socially conscious users’ (Flannery, 2009a: 48). Indeed, the potential of mobilizing large numbers of people who have already shown a, however superficial, interest in poverty alleviation, and who are starting to organize in lending teams on the basis of mutual interests, as a political force is great. The result could be transformational social and democratic changes that aim at the structures of inequality that make the existence of microfinance, and Kiva, necessary in the first place.
REFERENCES


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