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The Kiva Labs: Social Enterprise programme provides short-term working capital loans directly to mission-driven companies. Their loans are targeted at borrowers in the 'missing middle' that are trying to raise loans between \$50,000 and \$200,000, or even as high as \$500,000. The loans are used to finance everyday operations and, in doing so, enhance productivity, remove bottlenecks to growth and develop a track record for institutional investors. In the four years since the programme's inception, Kiva has provided almost \$6,500,000 to 86 social enterprises operating in 33 countries. The average loan size is \$55,000.

Tell us about Kiva's decision to scale-up lending during the COVID-19 crisis.

As an impact-first lender, Kiva's Social Enterprise Team, in concert with our leadership, decided to prioritise our impact and mission, as well as flexibility to meet businesses' needs. We focused first on current and past borrowers in good standing, so as not to see prior work erased by COVID-19. A significant portion of the portfolio said they would experience severe disruptions to their business and ability to repay Kiva. Many believed, rightly, that sales would evaporate. Our first action was to provide repayment moratoriums of three to six months to businesses with payments due before September. Debt obligations are often cited as the number one pressure felt by a company, especially in periods of crisis. Our next step was to innovate our current loan product to respond quickly and inject liquidity.

How has Kiva innovated the loan product?

Kiva has continued lending throughout COVID-19. We developed a new product called the Crisis Support Loan (CSL) to bridge liquidity gaps arising from the pandemic and restrictions on economic activity. CSLs are direct loans to fund operating expenditures, make payroll and retain staff, upgrade communication technology for remote work, supply PPE to field staff, and more. We've provided CSLs to ten social enterprises [at 31 July, 2020] and hope to finance close to 30 more before the end of 2020. For example, we provided Deevabits Green Energy with a \$38,000 loan so it could continue to meet its customers' critical lighting needs. CSLs have more flexible terms, longer durations, and amounts of up to \$500,000 for lending partners and \$200,000 for social enterprises. We've also engaged with our partners to provide flexible terms to accommodate the repayment challenges that borrowers and partners face due to COVID-19.

Kiva was one of the only crowd-lenders to continue lending as the crisis emerged. Why do you think that is?

Kiva is in the unique position of providing relatively risk-tolerant capital pooled from thousands of retail lenders to fund each loan, spreading the risk among many impact-first investors that understand the importance of early-stage business, social enterprises and SMEs as a driver of economic empowerment and financial inclusion. We have received a significant increase in requests for capital starting in March, and we are working tirelessly

to expedite our processes. Of course, the challenge of balancing risk and impact is currently heightened, but we are committed to providing as much support as our risk parameters will allow.

How did Kiva borrowers from the direct lending programme respond to the news?

We are always cautious to avoid over-indebtedness, recognising that many early-stage businesses need debt to grow but that overleverage can be dangerous. In some circumstances, we have reached out to grantmaking organisations in Kiva's network or nominated enterprises for grants where we see that type of capital as the most appropriate. Our borrowing partners have expressed gratitude for our response and for our lenders' flexibility on repayments and willingness to take on more risk.

Many debt platforms have seen a drop in lending since COVID-19. How have Kiva's lenders responded?

The supply of loans from our partners went down by half (\$5,000,000) during the peak of the crisis, as financial service providers had to shut down operations during countrywide shelter-in-place mandates. We have seen lenders hold steadfast and continue to lend during the crisis, especially stepping up to support minority-led small businesses in the US, and also quickly funding loans to social enterprises and lending partners globally.

What has been the impact of COVID-19 on Kiva as a platform? How do you see the crisis impacting Kiva in the long term?

The economic impacts of COVID have affected our entire portfolio. In countries where lockdowns are in effect, many of our financial services provider partners [e.g. microfinance institutions] are unable to lend or collect repayments, though some are able to provide financial services through digital platforms. Many have offered repayment moratoriums or rescheduling to borrowers whose businesses have been impacted by COVID. The repayment delays in turn impact new lending activity, since many lenders quickly relend repayments

that they receive on their Kiva loans. An economic slowdown impacts Kiva's marketplace because it impacts how much our lenders can lend if they're experiencing cash constraints. In spite of these challenges, we've been proud and encouraged to see our lenders rise to the challenge of supporting our borrowers during the pandemic. We're also actively working to attract new lenders to our platform in order to support borrowers around the world as they persevere through and recover from the pandemic.



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