Chapter 9
Digital Entrepreneurial Charity and Solidarity for Social Change: KIVA and the “Social-on-Linezation” of Poverty

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ABSTRACT
Microcredit has been studied from many perspectives. In this chapter, we analyze KIVA, the most important Person-to-Person microfinance organization from the perspective of social change, and we study how it has impacted on the nascent of a new wave of entrepreneurs known as digital entrepreneurial charity. Applied to KIVA, we analyze the impact of the digital space and its Internet-based Peer-to-Peer Lending to create social change in the poor, while alleviating the poverty thanks to solidarity and charity. This work concludes affirming that banking the poor and education, with the intensive use of Internet-based devices, is the best way to alleviate poverty in our digital and globalized economic world.

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INTRODUCTION

The nascent field of microcredit is growing rapidly and attracting increased attention from many sectors. There is something inherently interesting and appealing about microfinance and increasingly new stories as KIVA. These extraordinary people, who started helping others after the seminal work carried out by the Nobel Peace Prize laureate Muhammad Yunus, came up with brilliant ideas, and against all the odds, succeed at creating new products and services that dramatically improved people’s lives.

KIVA can be defined as a social change based a new entrepreneurial movement. This is why not only we have analyzed as a background the principles of microfinance as a way for alleviating poverty, but also for impulsing social change derived:

1. From a financial approach and the banking of poverty;
2. From an increasingly used Digital Space and its Internet-based Peer-to-Peer Micro-lending;
3. From an Entrepreneurial approach;
4. From Organizational dynamics; and
5. From Virtuous Approach.

As a result, and by means of this in-depth study, it has allowed us to focus on Kiva.org or the Social-on-Linezation of poverty.

Does KIVA experience and success can be applied to other NGOs? What is the impact of ICT on microfinance? What are the advantages using Joint Liability Lending? In order to answer these questions, the objective of this chapter is to analyze how the strategy and the good results obtained in KIVA can serve as learning from practice to other NGOs pursuing similar objectives. To do this, the chapter begins describing the theoretical background that exists on this issue. Then the model of KIVA’s loan cycle will be described to analyze the impact of the digital space through this case study. Finally, future research directions and conclusions will be added.

THEORETICAL BACKGROUND

Alleviating the Poverty: Main Global Initiatives

Before understanding the deepness of the case of KIVA within its social-on-linezation of poverty, it does make important to understand what really is poverty and the principles of microfinance which underlines as a new wave of alleviating the poverty. According to the World Bank Group (n.d.), there are an estimated 2.5 billion financially excluded adults today, with almost 80 percent of those living under $2 per day, and having no accounts at formal financial institutions. This matter holds back the fulfillment of the World Bank Group’s goals of eradicating extreme poverty by 2030 while increasing the share of income held by the bottom 40 percent of the population. The World Bank’s Global Financial Inclusion Database (Global Findex) reports that three-quarters of the world’s poor lacks of a bank account, as poverty, costs, travel distances and the often burdensome requirements involved in opening an account, do not allow them to be current account’s holders. Only 25 percent of adults earning less than $2 a day have saved money at a formal financial institution. Being “unbanked” is linked to income inequality, so they are exposed to be victims of loan sharks.