Kiva: An Analysis of Microfinance, NGOs and Development Discourses

By

Brendan Harrison

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Abstract

This thesis examines the non-governmental organization (NGO) Kiva, and its use of discourses that are prevalent within the development industry. Specifically, it examines how Kiva's use of these discourses evokes certain expectations for participants lending money through their microfinance program as to what the impact their money will have on borrowers. These expectations are contrasted with other case studies that describe the actual impacts microfinance programs have had and how they are different than the expectations Kiva creates through their use of development discourse. Finally, it explores the reasons why Kiva, as an NGO, is compelled to adopt these discourses prevalent in the development industry.

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Chapter I - Introduction and Background

Introduction

Poverty is one of the biggest long-term issues confronting the world today. Millions of people struggle to maintain the most basic standard of living for themselves and their families, and face a daunting uncertainty in many parts in their lives. The wider world is not unsympathetic towards the plight of the poor, and an entire industry focused on helping the poor has developed since the end of World War II, offering a variety of solutions to poverty. Unfortunately, these efforts have been unsuccessful in alleviating poverty, though some progress has been made in developing a toolkit of strategies to address the problem. Microfinance is one such strategy, and it attempts to address the issue of poverty by providing small-scale loans to the poor so that they can either start or expand a small business to improve their income, thus helping to bring them out of poverty.

One organization that currently practices microfinance is Kiva, a San Francisco-based Non-Governmental Organization (NGO) that operates a website that engages individual internet users with microfinance-based development activities focused on assisting individuals living in poorer countries around the world. Through a combination of microfinance and technology, Kiva's stated mission is "to connect people through lending for the sake of alleviating poverty" (Kiva Brochure (nd): 3; Kiva Website Home Page), and Kiva has enabled over 100 million dollars (USD) worth of lending activity as of the end of 2009 (Kiva

Website: Facts and History). While Kiva appears to be successfully engaging individuals with the issue of poverty through an innovative microfinance program, a closer, more thorough examination reveals a different situation. While Kiva may be drawing more people into participating in development-oriented activities, they are also making inaccurate assertions about microfinance and poverty that are common in the development industry. On their website and in their microfinance program, Kiva has incorporated many tropes and buzzwords that have plagued the development industry and have led to ineffective poverty reduction efforts in the past.

The purpose of this thesis is to examine why Kiva has adopted and reasserted these conventions common in the development industry and development discourse, and to explore how this approach impacts the validity of their claims regarding their microfinance program's ability to reduce poverty. It also seeks to explore the effects that Kiva's use of development tropes has had on reinforcing the privileged place those ideas have in development thinking, specifically with respect to Kiva's users. This thesis does this by locating Kiva and the discourse that they use within two schools of thought that have emerged from anthropological studies of development, the first of which engages how development discourse is created and the purposes it serves, and the second of which locates development and poverty initiatives in the context of larger geopolitical and economic interests that have dominated global issues since World

War II. It is these two anthropological interpretations of development that provide the overall framework for the thesis, and as such they should be discussed first.

Anthropology and Development

Since the inception of the modern development project after World War II, anthropologists working in the area of development have slowly shifted their focus from examining the systems and social structures that cause poverty and inequity to the development industry itself, and the different flows of money and power that constitute it. This shift, along with developments in discursive analysis in other areas of social science, has led to the analysis of development industry discourse becoming a major focus of the anthropology of development. The debates generated in anthropology concerning both development, and the discourse used in development, have produced two key arguments of import to this thesis. The first argument is that much of the development industry is oriented towards the maintenance and advancement of particular hegemonic economic, political, and intellectual systems, namely: liberal democracy, westernized conceptions of modernity, and neoliberal policies (e.g., free-market capitalism, reducing the role of the state through privatization of health and education). The second argument is that many concepts or terminologies that are initially critical of, or suggest a radical departure from those systems, are

appropriated by mainstream development discourse where they become diluted and altered, thereby removing elements that are critical of the neoliberal status quo.

The first argument examined the relationship that existed between 'developed' and 'undeveloped' countries following the emergence of the development industry. When the modern development project was being assembled at the end of World War II, the rich, industrialized countries of the West, epitomized by the United States, were constructed as the prototypical 'developed' nations, while the poorer, newly-independent former colonies were construed as the 'undeveloped' nations (Arce and Long 2000: 5; Ferguson 1994: 15; Gardner and Lewis 1996: 1, 13; Närman 1999: 151). It was argued that because the richer countries did not suffer the problems faced by the former colonies and were thought to offer the best quality of life, they became the models that 'undeveloped' countries were to aspire to become (despite the fact that many of the problems confronting former colonies, including ethnic tensions, sectarian struggles for political power, and material poverty, were directly caused by colonization and its aftermath). It was supposed that by mimicking the political, economic, and social systems that existed in the 'advanced', rich countries, poorer 'backwards' countries could become 'developed' or 'modernized' too (Arce and Long 2000: 5; Ferguson 1994: 15; Gardner and Lewis 1996: 12-13).

Models were proposed to theoretically explain why some countries were more developed than others, and how those countries that were less developed could catch up. These included W.W. Rostow's five stages of societal evolution, which countries had to pass through to reach a developed state, and modernization theory, which argued that countries must replace old "traditional" institutions and practices with "modern" (in other words, Western) ones among others (Arce and Long 2000: 5-6; Crewe and Harrison 1998: 27; Gardner and Lewis 1996: 12-13; Närman 1999: 151). While later proven to be incorrect, these theories had a direct influence on the direction and implementation of development programs, and, importantly, always tacitly accepted that the end-goal of development should be a capitalist, liberal-democratic society. The adoption of this bias can be explained by two primary factors. The first is that understandings of social change were not particularly well-developed during this period, and were primarily influenced by Darwin's theory of biological evolution (Crewe and Harrison 1998: 26-27; Gardner and Lewis 1996: 12-13). This was combined with a linear understanding of history that presupposed all nations or societies follow the same historical trajectory, an assumption that was common to theories from a wide swath of disciplines up until the 1970s (Gardner and Lewis 1996: 12-13). Thus, development theories postulated that 'underdeveloped' countries were simply behind in the 'natural' progression of societies.

The second factor that explains the predisposition of development theories towards a democratic, capitalist society, was that the dominant systems of Western society, capitalism and democratic liberalism occupied hegemonic positions in Western intellectual discourse (Crewe and Harrison 1998: 36-37; Edwards and Hulme 1996: 2; Fowler 2000a: 643). This gave those ideologies a privileged place in development thinking and discourse, which not only elevated them to a revered status among Western policy-makers, but also precluded substantial critiques or deviations from those systems as a way to either explain or address poverty (Moore 1995: 7-8). Thus, solutions to underdevelopment and poverty were to be found *within* this existing framework without threatening it, and not outside of it.

The intellectual colonization of development by the dominant modes of economic, political, and social organization in the West meant that development initiatives were designed to maintain, advance, and benefit the dominant interests of those systems (Ferguson 1994: 11). This caveat resulted in such development initiatives as the "big dam" projects, large loans conditioned by structural adjustment policies, and the aggressive opening of markets to international free trade, each of which failed to provide the promised results (Crewe and Harrison 1998: 69; Ferguson 1994: 11; Fowler 2000a: 639-640; Gardner and Lewis 1996: 14). These initiatives left many already poor countries with crushing national debts, gutted local industries, and reduced infrastructure and government

spending, with little progress to show for it (Crewe and Harrison 1998: 69; Fowler 2000a: 639-640). However, these initiatives also greatly benefited the national governments, corporate entities, and upper classes in developed countries, who were owed money by the creditor countries, and whose corporations were able to exploit newly opened markets and the privatization of services that occurred with the cutting of national budgets. Each initiative, designed using capitalist or neo-liberal frameworks for understanding the poverty that existed, not only failed to provide the promised development results, but also served to expand the reach and influence of those frameworks for understanding world systems, thereby demonstrating whose interests were truly at the heart of those development initiatives.

It is important to note that a common theme that has emerged in development is the search for the proverbial "magic bullet" which will finally "end poverty" (Edwards and Hulme 1996: 3-4). This theme has a tendency to resurface whenever a new concept is incorporated into development strategies, often to a chorus of praise insisting that *this* is the "magic bullet" that has been sought. Some of the more notable "magic bullets" that have come and gone include the different projects discussed above (major capital investment, structural adjustment, open markets), as well as a number of the vaguer concepts that have plagued development more recently such as "participation", "accountability", and "empowerment", which are discussed below. Significantly, microfinance has

been touted as one of these "magic bullets" as it became incorporated into global development discourse and programs in the 1990s, and still retains that title to this day despite the growing catalogue of the weaknesses of microfinance as a development strategy, which are discussed below.

Non-governmental organizations (NGOs) were also once considered to be one of these "magic bullets" when they first became significant players in the development industry (Edwards and Hulme 1996: 3; Fisher 1997: 442). While some NGOs had been arguably working on development issues before "development" was conceptualized in the wake of World War II and decolonization, they did not play a role in official development efforts until the 1980s when the national governments of northern donor countries began to treat development as an arm's length issue (Fowler 2000a: 639-641). Upon this shift in governmental policy, NGOs began to play a growing role in official development initiatives as arm's length deliverers of state-sponsored aid until they became the new "magic bullet" of development in the early 1990s (Fisher 1997: 442). Once they achieved this status, development NGOs were lauded as a new "revolution" in civil society and presented as organizations who could work free of the constraints that characterized the rigorously structured government and business sectors (Fisher 1997: 440, 442). This reputation, however, has been shown to be unfounded as development NGOs face an array of problems, including an over-

dependence on government-based funding, which are discussed extensively in Chapter Four.

The second argument that emerged through the anthropological analysis of the development industry itself is that development discourse also plays a role in maintaining the intellectual hegemony of the dominant systems of organization discussed above (Moore 1995: 6-7). It does this by encouraging and reproducing discourses that positively reinforce those systems while, at the same time, co-opting and stripping down concepts and arguments that threaten the legitimacy of those dominant systems in the world (Cornwall and Brock 2005: 1045-1046; Leal 2007: 543; Moore 1995: 7-8). Development discourse is a crucial area for the reproduction of dominant discourses because of development's relationship with many of the more 'unsightly' consequences of the current global political and economic order. As such, it cannot simply dismiss or ignore the suffering of the poor, but it must also maintain the intellectual primacy of the hegemonic discourses by requiring that solutions to issues of poverty must work within the current order, as discussed above (Moore 1995: 5).

Due to the pre-eminence of capitalism in this order and its emphasis on material conditions above all else, problems are examined through a decidedly economistic framework, which argues that the causes and solutions to those problems must be dealt with in a economistic fashion. Arguments or solutions that are critical of the dominant order must be 'cleansed' of the threatening

elements, and then incorporated into the new round of development solutions offered once previous solutions have failed and become discredited . Through this process of hollowing out, words and concepts become vaguer and more flexible, allowing them to be applied in an ever-growing number of contexts, distancing them from their original meanings and turning them into relatively meaningless or problematic "buzzwords", as described by Cornwall and Brock (2005: 1046). This process has resulted in a plethora of words and concepts emerging, including 'empowerment', 'accountability', 'legitimacy', 'participation', and 'poverty' itself, all of which are terms that are relevant to this thesis. Because "development buzzwords" are often vaguely defined, or given multiple meanings, each is discussed briefly below in order to provide a better understanding of how these terms are used, and what they mean.

What's in a Word?

The terms 'empowerment', 'participation', 'legitimacy', 'accountability', and 'poverty' are all buzzwords that are currently common in mainstream development discourse, and have been used extensively with respect to microfinance. These terms are still useful in their original forms and meanings, and it is important to recognize the change in meaning and use each underwent as they became a buzzword in mainstream development discourse. As such, a review of the definitions and histories of each of these terms and concepts would

be instructive. Each term is defined twice in this section, the first definition being the appropriated or 'consensus' meaning, and the second being the original, more critical meaning. The process by which this change took place is then reviewed before moving on to the next term.

'Empowerment' is the first of these concepts that are currently in popular use, but are attributed different meanings than they originally had. Empowerment is currently used in mainstream development discourse as a gender-oriented concept that often acts as a stand-in for discussion of gender issues. However, instead of critiquing gender norms or the marginalization of women, the buzzword version of 'empowerment' is limited in meaning to token quotas like higher percentages of women in political positions, and advocating for women's 'self-help' groups which supposedly help women overcome marginalization and discrimination through microfinance, but tend to instead be little more than saving and lending groups (Batliwala 2007: 561-562; Cornwall 2007: 472, 474). These efforts at 'empowerment' have been shown to fall well short of the goal of providing women with the same economic and political opportunities as men, as well as the ability to live free of discrimination and marginalization, as is discussed in greater detail in Chapter Three.

This definition and use of 'empowerment' is a far cry from its early conceptualization. This comes through when Srilatha Batliwala examines how she conceived of "empowerment" in the early 1990s. In her publication entitled

Women's Empowerment in South Asia: Concepts and Practices, after consultations with feminist activists and over two dozen women-oriented organizations in South Asia, Batliwala defined empowerment as:

> The process, and the results of a process...that shifts social power in three critical ways: by challenging the ideologies that justify social inequity (such as gender or caste), by changing prevailing patterns of access to and control over economic, natural, and intellectual resources, and by transforming the institutions and structures that reinforce and sustain existing power structures (such as the family, state, market, education, and media). (Batliwala 2007: 560)

This conception of empowerment is clearly more transformative and far-reaching than the limited definition discussed above, and calls for a far more radical project of empowerment than most current development initiatives entail (Cleaver 2001: 37). Instead of merely seeking greater political inclusiveness and mobilization of women in current power structures, the document emphasizes "the ideological and institutional change dimensions [as] critical to sustaining empowerment and real social transformation" (Batliwala 2007: 560).

The transformation of this conceptualization occurred somewhat slowly as it worked its way into use among wider groups of people. First, it was adopted and applied in practice by some of the women's groups originally consulted in South Asia in the 1980s, where it eventually caught the attention of Indian state-level governments (Batliwala 2007: 558, 560). Despite the direct criticism of state power that 'empowerment' originally advocated, it was soon adopted by some state-level governments to try to improve the results of their efforts to

address gender and poverty issues to enhance their chances of receiving more development funding; however, the direct challenge to state power was downplayed in its application. The government's engagement with 'empowerment' then caught on with development donor agencies in the development industry involved in India, which triggered the spread of the term throughout the development industry in the 1990s, both among donors and development NGOs dependent on funding from those donor agencies (Batliwala 2007: 561). With subsequent adaptations by different groups, the concept of empowerment was diluted and altered to reflect the interests and to mute criticism, eventually rendering 'empowerment' a meaningless buzzword (Batliwala 2007: 561-562). Thus while the original definition encourages the challenging of power imbalances and inequalities in current political, economic, and social systems, the 'empowerment' paradigm that exists in the development industry today suggests nothing of the sort, instead offering token solutions to gender inequities produced under social and political systems that contribute to women's poverty.

'Participation' is another term that has become a popular buzzword in mainstream development discourse. The current meaning of 'participation' within this discourse is generally the inclusion of the poor in the planning and implementation of development efforts that are ostensibly there to help them, often just during the implementation phase. This 'participatory' approach was

meant to contrast with previous 'top-down' development efforts that had failed, it was suggested, because they had not included the voices of those who were being helped (Leal 2007: 540, 542). This form of participation is also often paired with 'empowerment' to create the mutually reinforcing idea of 'empowerment through participation', which suggests that participation could not only increase the effectiveness of development programs, but that it could end marginalization and power inequities as well (Leal 2007: 542).

This conception of 'participation' is extremely far removed from its origins in strains of Marxist theory known as Participatory Action Research. This school of thought suggests that "a self-conscious people, those who are currently poor and oppressed, will progressively transform their environment by their own praxis" (Rahman 1993: 13). The goal of Participatory Action Research was not merely oriented towards development, but instead sought "the transformation of the cultural, political, and economic structures which reproduce poverty and marginalization" (Leal 2007: 540). This conception of participation represented an extreme interpretation of democratic values (particularly when applied to economic matters) compared to the mainstream conception in development, which only argued for the creation of democratic political institutions (Leal 2007: 542).

Organizations such as the World Bank and International Monetary Fund (IMF) were especially threatened by the possibility of a radical grassroots

movement that questioned the very economic world order they were in charge of maintaining. This was particularly true during the implementation of harsh structural adjustment policies in the 1980s and 1990s, which generated a great deal of criticism of the actions of both institutions, which imposed hardships on poor countries that were desperate for help. A concerted effort was made to "put a 'human face'" on these programs, and provide some form of input for the poor to try and curtail the more threatening possibilities of 'participation' (Leal 2007: 542). What followed was a textbook example of how hegemonic actors and ideas incorporate concepts critical to them in order to neutralize any threat to their dominance. The World Bank and IMF reframed 'participation' to their own ends, suggesting that it was a solution to unresponsive national governments and the 'top-down' development initiatives of the past, arguing that *these* were the causes of continued poverty, not the systems that they represented. 'Participation' was claimed as their own, with the World Bank going so far as publishing guidebooks on "how to do participatory development" (Leal 2007: 542-543).

This conception of participation was also closely linked with the term 'legitimacy', which in development is generally considered to be the right for an individual or organization to be present and involved in discussion and action on a particular issue (Hudson 2001: 335-336). This term, along with 'participation', was introduced into development discourse as a way to counteract criticisms of development programs' orientation as "top-down" efforts that were imposed upon

poorer populations with little or no consultation with them before, during, or after the fact (De Herdt and Bastiaensen 2004: 876). By introducing the concept of legitimacy into development discourse, organizations such as the World Bank and the IMF were able to appear to address these issues while at the same time circumventing serious discussion and criticism about the roles that these organizations play both within development as well as in perpetuating the values of capitalism and liberal democracy. The insertion of the concept of "legitimacy" to further the authoritative position of these organizations raised a number of important issues regarding development NGOs, as well, which are discussed in detail in Chapter Four.

"Accountability" is another word that has undergone changes to render it into a buzzword. In its current form, accountability means little more than keeping track of where money has gone and how it is spent, what Edwards and Hulme refer to as "'accountancy' rather than 'accountability'" (1996: 12-13). This is a far cry from the original conception of accountability, which consisted of development actors being held responsible to the stakeholders that they are meant to help, as well as those funding the project, and affected local governments (Edwards and Hulme 1996: 8). This original form of accountability was tied closely with the original conceptions of participation and legitimacy, but as each term became an appropriated concept they became linked together in a different way by mainstream development actors, forming what Ernesto Laclau referred to

as a "chain of equivalence" that served to undermine the more radical meanings of these concepts in favour of the safer, appropriated meanings (see Cornwall and Brock 2005: 1047, 1052).

These distortions affect not only how problems related to poverty are addressed, but they are also indicative of how 'poverty' itself is conceived as a buzzword in mainstream development discourse. Conventionally, poverty is framed as an extensively economic issue, and is commonly defined as a simple lack of money or material goods. This conception is a product of both the fact that the most apparent consequences of poverty are material in nature, and the fact that the dominant pro-capitalist paradigm is heavily biased towards economistic interpretations of situations. Consequently, strategies promoted in mainstream development to reduce poverty are rooted extensively in a capitalist understanding of the world and, subsequently, the causes of poverty.

Research into the causes and nature of poverty, however, has revealed that this definition, while not necessarily wrong, provides a simplistic and incomplete picture of what is a much more complex situation than a simple lack of material goods (Green and Hulme 2004: 867, 868, 870; McKay and Lawson 2003: 426-427). While the material factor does play a key role in poverty, social and political factors are also important (Green and Hulme 2004: 874; Hulme and Shepherd 2003: 405; McKay and Lawson 2003: 431-432). Each of these factors - material, social, and political - intersect and influence each other when it comes to

examining the causes of poverty and, as such, a brief exploration of each factor, as well as how the context influences them, is necessary to properly define and discuss poverty.

The material component to poverty is the easiest identify and explain. At its most basic, material poverty is simply a lack of access to material goods. However, the material factor is much more extensive than a basic lack of food and shelter. Access to environmental resources, such as water, arable land, and other natural resources also shape the material conditions of people's lives (Hulme, Moore, and Shepherd 2001: 6-7; McKay and Lawson 2003: 431-432). The environment and low levels of income can also affect people's health by exposing them to diseases and unsanitary conditions, as well as restricting their access to medical care (Hulme and Shepherd 2003: 406-407). Furthermore, low levels of income can have a negative impact on people's future opportunities by excluding those who cannot pay school fees from obtaining even a basic education (Hulme and Shepherd 2003: 406-407). Health and education are each examples of areas where material factors can mesh with social factors, having a cumulative effect on an individual's socio-economic status.

The social factors of poverty often involve the marginalization of individuals from the wider society in which they live. People can be discriminated against on the basis of race, ethnicity, caste, religion, and/or any other demographic factors that can place someone outside of the majority (Hulme

and Shepherd 2003: 410-411; Green and Hulme 2004: 876). People can also be socially marginalized for reasons of illness or lack of education, which can have roots in the material factors, as discussed above (Hulme and Shepherd 2003: 410-411). Often this social marginalization is a result of an individual lacking the ability to retain or develop relationships and social networks with others. Social marginalization is often attributed to a lack of social capital, however, it is important to note that a lack of social capital is not only restricted to cases where prejudice and discrimination are involved, which can also intersect with the political component of poverty, but can also occur because individuals had alienated others through their actions in the past. Indeed, all relationships can be conceived as social capital, a concept which is important to understanding both poverty and microfinance.

While not explicitly used by Kiva in their microfinance program, 'social capital' is another concept that has been transformed into a developmental buzzword. However, unlike 'empowerment', 'participation', and 'accountability' which were all pared down into narrow, uncritical concepts, 'social capital' has seen its accepted usage grow to the point where it can be used to describe almost anything. Ben Fine argues that:

> Users of the concept have developed a gargantuan appetite in terms of what it is, what it does, and how it is understood. Almost any form of social interaction has the potential to be understood as social capital. As a positive resource, it is presumed to have the capacity to facilitate almost any outcome in any walk of life, and to be liquid or fluid across them to a greater or lesser extent. And it is equally adaptable across subject matter,

> disciplines, methods, and techniques, at least within the social sciences. In short, in principle, and to a large (if selective) degree in practice, social capital can be anything you like (2007: 567).

Keeping this in mind, the application of 'social capital' in development is important to this thesis in two specific cases. The first is that this vague conceptualization of 'social capital' can be used in development discourse as an alternative way of discussing different types of marginalization, power inequities, and structural biases that are produced by the current socio-economic order. People are no longer 'marginalized', 'discriminated against', or 'oppressed', but instead simply lack the 'social capital' necessary to form healthy social relationships with others (Edwards and Foley 1998: 128; Fine 2007: 567-569). The second way that 'social capital' is used relevant to this thesis is that microfinance programs, most famously the Grameen Bank, often use a particular definition of social capital to describe the personal relationships that exist between women belonging to the same borrower group. These relationships are often referred to as the 'collateral' given for microloans, but are in fact used as a mechanism to ensure the loans are repaid. This particular use of social capital has a number of negative consequences, which are discussed in Chapter Two and Three.

These definitions of social capital bear very little resemblance to the first incarnations of this concept. While the use of social capital as a term in social sciences was popularized by Robert Putnam, it was originally conceived in two

somewhat similar forms by James Coleman and Pierre Bourdieu. Their conception of social capital held that individuals that belonged to particular groups, and had knowledge of the practices and norms of those groups, possessed 'social capital' within the context of those groups which allowed them to more easily interact and conduct transactions with other members of that group (Edwards and Foley 1998: 129). This frames social capital as knowledge about a set of context-dependent social rules that serves as a type of 'social lubricant' that facilitates transactions between individuals privy to those rules (ibid).

Social capital's definition was subsequently enlarged by Robert Putnam's use of the term, which recast social capital merely as "norms of reciprocity and trust", which could be possessed and accumulated by individuals and drawn upon in different social contexts, in contrast to the context-dependent form of social capital suggested by Coleman and Bourdieu (Fukuyama 2001: 7; Putnam 1995: 664; Edwards and Foley 1998: 130-131). This broadening in the application of the term social capital subsequently enabled its use by other authors in analyzing a wide variety of social and historical subjects, which in turn further broadened social capital's ability to describe any subject, eventually finding its way into development discourse (Edwards and Foley 1998: 132; Fine 2007: 567-569). This has led to a re-framing of a broad collection of socio-political issues in development in terms of 'social capital', with social capital reinterpreted to mean

whatever is most convenient for each particular case, completing social capital's transformation into a buzzword (Fine 2007: 567).

The political component to poverty involves a lack of agency or self-determination in an individual's relationships with others or larger social groups. Sometimes construed as a lack of social capital, often this lack of self-determination is actually the effect of larger political norms and institutions, such as the structure and nature of the government, entrenched gender roles, and discrimination against minority groups (Green and Hulme 2004: 876). In essence, political marginalization involves unequal power relationships, be they at various levels of society and government, or in personal relationships, and the denial of opportunities based on those unequal power relationships. Despite the fact that there are many areas where political marginalization is present, gender discrimination is often presented as the main embodiment of the political component of poverty, an issue discussed in Chapter Three.

These three facets can all contribute to an individual's state of poverty. Although, generally, the more factors involved, the more dire the situation; all three components do not need to be present in order for a person to be in a state of poverty. Furthermore, these factors are dynamic and constantly changing, sometimes reinforcing each other, sometimes competing with one another. However, these are not the only factors at play when conceptualizing poverty; context is also a major factor. The most important way in which context plays a

role is the amount of time that an individual spends in a state of poverty. It cannot be credibly argued that someone who spends a single week in a powerless, marginalized state of material want, only to return to a more comfortable situation the following week, is truly "poor". Instead, one should view poverty as coming in two different, temporally defined forms. The first of these forms is a "chronic" state of poverty in which people are poor for extended periods of time, and often see their children "inherit" the same situation (Hulme and Shepherd 2003: 405; Green and Hulme 2004: 874; Barrett and Swallow 2006: 2). These individuals are colloquially referred to as the "poorest of the poor", and are the most powerless and marginalized of all, with little to no hope of bettering their situation and moving out of poverty.

This permanence contrasts with the second group, the "transitory poor", who are not consistently poor, but instead sit on the cusp of poverty. This group moves in and out of a state of poverty due to temporary "shocks" and subsequent recoveries through opportunities that are available to them (Green and Hulme 2004: 874; Krishna 2004: 124). These individuals are still considered to be poor, particularly because of the uncertainty and instability they face, which is another acute consequence of poverty (Calvo 2008: 1011). Additionally, the transitory poor are at great risk of becoming chronically poor should they experience a series of shocks in quick succession, or a particularly devastating shock, that deprives them of a route of recovery that was previously available to them

(Krishna 2004: 127). However, it is important to remember that this group of people is in a relatively better position than the chronically poor, because there are at least some opportunities and routes out of poverty available to them.

It is also important to note that because people are constantly falling into and getting out of poverty, the set of individuals referred to as "the poor", is constantly changing (Krishna 2007: 1948; Sen 2003: 513). Thus, while reports may claim that the incidence of poverty has declined by a certain degree, what they are in fact referring to is the *net change*. While claiming that poverty has been reduced by a simple percentage gives the impression that progress is being made, it does little to illustrate the fact that only one set of people has moved out of poverty, while another has fallen into poverty (Krishna 2007: 1950-1951). This has led observers to conclude that, in order to effectively target and reduce poverty, two sets of programs need to be in place: one to help people move out of poverty, and another that aims to prevent people from becoming poor or falling back into poverty (Barrett and Swallow 2006: 11; Krishna 2007: 1952).

Taken together, the factors described above create a far more nuanced picture of poverty than the more common conception of "a lack of material goods". This understanding of the dynamic nature of poverty, and the interplay involved in creating the situations of poverty in which people live, has been, arguably, the most important development in the conceptualization and understanding of poverty. This conceptualization, in turn, directly affects the way

in which discussions and solutions to poverty should be interpreted, and, as such, a brief holistic description of this conceptualization of poverty and its consequences in practice is warranted.

Barrett and Swallow provide one of the strongest holistic conceptions of poverty in their discussion of what they call "fractal poverty traps" (2006). This conceptualization treats poverty as a situation that is created when "multiple dynamic equilibria" (i.e. the material, social, and political factors outlined above) operate on multiple local and supra-local levels to come together and "[self-reinforce] through feedback effects", to achieve a steady equilibrium (Barrett and Swallow 2006: 3). This conception can be applied across the entire spectrum of socioeconomic statuses, where the higher on the socioeconomic scale one is located, the greater the opportunity for mobility. Thus, those who find themselves in the lowest socio-economic echelons have the least opportunity for mobility and are at the greatest risk of staying chronically poor (Barrett and Swallow 2006: 5). In the case of those who sit on the cusp of poverty, the position outside of poverty that they have reached is extremely tenuous, and any event that negatively impacts their life could thrust them into poverty. However, because they were not completely marginalized or disempowered before that shock, and the factors affecting their position are not as dire as they still have some opportunity to return to that equilibrium provided the shock did not completely destroy the social, political, or economic opportunities that were available to them previously. This

more nuanced conception of poverty and its causes is critical to understanding why many mainstream poverty reduction strategies, derived from a more exclusively economistic interpretation of poverty, have failed to reduce poverty levels significantly.

Conceptions of Poverty and Poverty-Reduction Strategies

The theoretical conception of poverty being used as a departure point has very real consequences when it comes to the development industry and programs that are designed to address the issue of poverty. The results of using a purely economistic conception of poverty (and adhering to the belief that there is a single "magic bullet" poverty reduction strategy) have been repeated failure, which often further burdened the target countries and individuals with greater debt and obligations to rich donor countries. Coupled with the fact that many of these poverty reduction efforts cater to the self-interest of donor countries and others with a stake in the status quo, the broader definition of poverty discussed above suggests that two important changes should be made to the understanding of how these programs are conceived and operated.

The first and most important of these changes is that no single intervention can effectively address every factor that causes poverty. This is both a theoretical implication of the conception of poverty outlined above, as well as a conclusion reached by a variety of studies on specific poverty reduction programs (Barrett

and Swallow 2006: 11; Garikipati 2008: 2637-2638; Krishna 2004, 132; Krishna 2007: 1956-1957; Matin and Hulme 2003: 662). Successful poverty reduction efforts must be coordinated to address as many causes of poverty that create downward pressures on the poor as possible to maximize their impact. Of particular import is that poverty reduction programs take into account *all* factors that cause poverty, not just economistic ones, to prevent resources from being squandered because a program addressed only one factor. By extension, poverty reduction efforts that fail to meet their goals due to inadequate or inaccurate conceptualizations of the causes of poverty must be explicitly criticized for those shortcomings, even if it means challenging hegemonic conceptions of how the world is organized, if effective poverty reduction programs are to be created and encouraged.

The second major consequence is that due to the wide variety of factors that could potentially be causing poverty, poverty reduction programs that are designed through an ideologically-informed, top-down approach may only yield minimal or no positive results, yet they can often divert individuals from poverty reduction activities that they are engaged in that are more effective (Krishna 2004: 131). This is largely attributable to a lack of consultation by program designers with the people they are looking to help, which effectively allows them to ignore both local factors that contribute to people's poverty, as well as local conceptions as to what exactly constitutes poverty (ibid). Consequently, effective poverty

reduction programs tend to have a high degree of participatory local consultation, well beyond the minimal consultation advocated by mainstream 'participation', which helps to identify both the pressures that people face and are concerned about, as well as the strategies they are already engaged in that can be effectively supplemented by poverty reduction programs to maximize the impact of all strategies (Krishna 2004: 131-132). These are important factors to consider when examining Kiva and their poverty reduction efforts.

Methodology

The primary data used for this thesis was generated from three main sources, each of which has strengths and weaknesses as source material. The first primary source of information was Kiva's website, www.kiva.org, which provided information about Kiva's policies and operations and their NGO partnerships. It also provided references to media coverage and up-to-date data on site usage, borrower demographics, loan volume and repayment rates, as well as primary documents such as financial records and application forms for potential partners. Furthermore, Kiva's website is the portal through which Kiva's users interact with the microfinance program and are provided with information about Kiva and what microfinance can do, which allows for a close textual examination of what Kiva claims and what information Kiva users are exposed to through the website.

The second source for data was the writings of Matthew Flannery, one of the co-founders of Kiva, who has written articles about Kiva in journals and maintained a weblog about his experiences at Kiva. These sources provided information about the history of Kiva as an organization, as well as the origins of the microfinance model that Kiva operates. Furthermore, these writings also provide a number of insights into the strategic planning that took place at the upper level of management at Kiva, which was important for contextualizing Kiva's choices regarding policies on growth versus accountability. However, these sources are largely the personal opinions of Matthew Flannery, and are not an exact record of how policy is negotiated at Kiva, and they come across as overwhelmingly positive.

The final sources of data for this study are interviews done with two Kiva employees in the fall of 2008 and winter of 2009, both over the phone and through email correspondence. In addition to the valuable information and insight into Kiva's operations and policies that the Kiva employees provided, they also supplied additional primary documents in the form of information brochures and application forms distributed to NGOs after they have filled out the initial application forms to be a Kiva Field Partner found on Kiva's website. However, the interviews were conducted at the early stages of this study and the questions largely dealt with issues concerning the operations at Kiva, and not so much the

way Kiva presents their program and microfinance, in general, on their website, which became the ultimate focus of this thesis.

These primary sources provided a number of different perspectives on Kiva, how they operate, and their microfinance program, as well as a clear picture of the images and opportunities that they present to those who visit their website. This information was then supplemented by analysing secondary literature such as journal articles and books that deal with the specific topics of development discourse and buzzwords, and impact evaluations of other microfinance programs (Chowdhury et al 2003; Fernando 2006; Garikipati 2008; Mallick 2002; Rahman 1999; Rankin 2006). The texts concerning development discourse (Batliwala 2007; Cleaver 2001; Cornwall 2007; Cornwall and Brock 2005; Crewe and Harrison 1998; Leal 2007; Moore 1995) were used to define and analyse the development language Kiva uses on their website, and to provide a framework for describing the effects that development buzzwords can have. Those texts, combined with the others concerning the development industry's role in maintaining the intellectual hegemony of the dominant socio-economic systems (Arce and Long 2000; Crewe and Harrison 1998; Edwards and Hulme 1996; Ferguson 1994; Fisher 1997; Fowler 2000; Gardner and Lewis 1996;), were used to frame the larger discussion as to Kiva's use of development discourse.

Terminology

Throughout this thesis I have tried to stay as close to the terminology that Kiva uses as possible. That being said, I would now like to quickly define and discuss the terms used throughout this thesis. Kiva users (or just "users") are people who are registered on Kiva's website and who have provided loans to the Kiva borrowers via the website. It is important to distinguish "users" from "browsers", who are people who have looked at Kiva's website, but have not registered as a user and loaned money. For example, if Kiva had 5,000 browsers in an hour, only 3,500 might be registered with Kiva as users providing funds. Furthermore, when discussing website traffic, 5,000 "hits" should be considered synonymous with 5,000 browsers and not 5,000 users since there is no guarantee that all 5,000 people looking at the site at any time are also all registered users.

Kiva also has what are referred to as "Field Partners", which are development NGOs that have microfinance programs and are responsible for locating potential borrowers and posting those borrowers' loan applications to Kiva's website. In order to become a Field Partner, an NGO must have successfully gone through Kiva's vetting process and signed a partnership agreement that allows them to raise money through Kiva's website to fund microloans, a process that is discussed in Chapter Two. While it will be shown that the relationship between Kiva and their Field Partners resembles more of a mutually beneficial patron-client relationship, as opposed to a full-on partnership,

for consistency I have stuck to Kiva's term of Field Partner throughout the thesis. In the same vein, NGOs that have applied to become a Kiva Field Partner, but have not yet completed the process are referred to as applicant NGOs. Finally, Kiva borrowers (or just "borrowers") are the people living in impoverished countries who have posted their loan applications on Kiva's website, and who may be at any stage in the loan process, be it raising funds, repaying the loan, or having paid off the loan. These are the people that Kiva and its users are meant to help through microfinance.

Organization of Thesis and Chapter Summary

This thesis is divided into five chapters. This first chapter describes the methodology and terminology of this thesis, and provides background information on the concepts of empowerment, accountability, legitimacy, participation, and poverty, and how the conceptualization of poverty by development actors influences poverty reduction efforts. This review also helps to situate Kiva's approach to microfinance within various conceptions of poverty, and how those conceptions inform poverty reduction strategies like microfinance. It also provides a backdrop to help better understand the issues surrounding microfinance as a poverty reduction strategy as discussed in Chapter Three, and the issues that NGOs operating in the development industry face, as discussed in Chapter Four. Chapter Two is largely descriptive, as it provides a history of both microfinance

as a poverty relief effort, and of Kiva as an organization. It also describes how Kiva is structured and funded, including their relationships with other organizations, and a description of how their particular model of microfinance operates. The purpose of this chapter is to familiarize the reader with Kiva and the processes that they follow in order to provide a detailed background for the discussions that follow in chapters Three and Four.

Chapter Three discusses in detail three specific claims that Kiva makes regarding microfinance and their poverty reduction strategy on their website that make use of the development buzzwords discussed earlier in this chapter. Each claim is evaluated by comparing the results purported to occur by Kiva to the results actually achieved in other microfinance programs that have been critically assessed in other books and articles. Following the examination of Kiva's microfinance claims, Chapter Four broadens this discussion to examine the pressures that Kiva faces as a development NGO to adopt development buzzwords as part of their discourse. This is followed by an exploration of the impact of Kiva's apparently unquestioned use of common development discourse, including an analysis of how Kiva benefits from buzzword usage, the impact on their users (i.e., those who choose to fund small Kiva projects), and the acceptance of development buzzwords in discourse on poverty and poverty reduction efforts. This is followed by Chapter Five, which offers a summary of the thesis, some conclusions, and suggestions for further research.

Chapter II – The History of Microfinance and Kiva

Introduction

This chapter provides a summary of the history of both microfinance as a poverty reduction strategy, and Kiva as an organization. The section on microfinance traces the spread of its use as a poverty reduction strategy, as well as the intellectual heritage of microfinance within development. Early connections between microfinance and development buzzwords are also examined. The next section provides a history of Kiva, followed by a description of how Kiva operationalizes their model of microfinance, and the steps that take place over the course of a Kiva loan. Following this are some data on the different participants involved in Kiva's microfinance operations. The chapter concludes with a review of the claims that Kiva makes on their website regarding their microfinance program.

Microfinance: A Brief History

Microfinance has become such a prominent fixture within mainstream development circles that the UN declared 2005 to be the "International Year of Microcredit" to highlight both the successes and the potential of microfinance programs. Over the past few decades microfinance has become a major force within the development industry; there has been a rapid expansion in both the number of organizations offering microfinance services, and the types of services

that are offered. Much of microfinance's success has to do with its ability to gain the favour of major international policy-making circles due to its explicit adherence to a free-market, capitalist ideology (Lazar 2004: 302; Rankin 2006: 99). Thus, microfinance is in a relatively unique position compared to other development approaches in that it largely reaffirms the dominant neo-liberal world system, and it is considered by many within the development industry to be somewhat successful in addressing poverty. This limited success is tempered by the fact that, as noted in the previous chapter, microfinance does not challenge structural causes of poverty, and that microfinance is largely a economistic poverty reduction technique that does not effectively address non-material factors in poverty (despite claims otherwise).

The introduction of microfinance as a specific approach to poverty reduction in the development emerged in Asia in the 1970s, most famously with a pilot project that Muhammad Yunus organized in the village of Jobra, Bangladesh, near Chittagong University where he was the Head of the Department of Economics. In 1976, upon surveying members of the village, Yunus found that there were 42 people in the village operating cottage industries. They were beholden to traders who loaned villagers the money to secure primary supplies, such as bamboo, in exchange for purchasing the finished wares at a price that left the artisans with a marginal profit that barely covered their food costs. Yunus found that their combined capital requirements were only $27, yet none of

them were able to borrow the money to purchase the primary materials, due to the fact that the only credit available to them was through moneylenders, who charged prohibitive levels of interest (Yunus 1999: 49-50; Rahman 1999: 4). Thus Yunus came to an important realization:

> No formal financial structure was available to cater to the credit needs of the poor. This credit market, by default of the formal institutions, had been taken over by the local moneylenders [and]... what was required was an institution that would lend to those who had nothing. (Yunus, 1999: 50-51)

Noting that there was a segment of the enterprising population that was being underserved by the financial industry, Yunus sought to devise a solution. This prompted him to study other lending institutions in 1977, including conventional banks and credit unions, to try and devise a lending system for the poor that avoided the shortcomings of other lending organizations (Yunus 1999: 61). The organization that resulted from Yunus' research eventually became the Grameen Bank, whose lending model had two key features worth discussing due to their significant influence on many later models of microfinance and the attachment of buzzwords to microfinance.

The first feature is that borrowers of the Grameen Bank are almost exclusively women, who comprise 95 percent of the over two million borrowers the Grameen Bank serves. This was an operational decision made by Yunus and other members of the Grameen Bank's upper management because it was claimed that women are more likely to help their families with any additional income

produced from the loans, and women are more likely to pay the loan back compared to men (Yunus 1999: 72-73; Rahman 1999: 1, 5-6). These assertions, along with the near-exclusive targeting of women, caused microfinance to have a distinctly 'gendered' nature from its inception as a poverty reduction technique, which in turn allowed for microfinance to be easily presented as a route of 'empowerment' for women. These claims have drawn a great deal of criticism for overstating the impact of microfinance on gender issues, as discussed in greater detail in Chapter Three.

The second and more important feature of the Grameen Bank is its use of what it calls 'social capital'. As discussed in Chapter One, the definition of social capital in the context of microfinance programs is generally taken to mean the personal relationships that exist between individuals (Edwards and Foley 1998: 129; Fine 2007: 567-569). This type of social capital is crucial for the operation of Grameen Bank's "borrower groups", where members are required to form groups of five and all people must know one another. The principle behind these groups was that "group membership not only creates support and protection but also smoothes out the erratic behaviour patterns of individual members," thus guaranteeing a higher degree of reliability in repayment (Yunus 1999: 62). More importantly, the way in which the Grameen Bank uses this social capital creates "subtle and at times not-so-subtle peer pressure [that] keeps each group member in line with the broader objectives of the credit program" (ibid). In other words, a

primary way in which social capital is used by the Grameen Bank is to create pressure on borrowers to ensure repayment, and effectively replaces the need for other forms of capital that could act as collateral for the loan in order to keep borrowers accountable.

Another microfinance project started in the 1970s, also located in Bangladesh, was the Bangladesh Rural Advancement Committee (BRAC). Unlike the Grameen Bank, BRAC was founded in 1972 with a mandate to provide broad-based poverty relief with a number of different programs operating at once (Chowdhury, Mahmood and Abed 2003: 121). The organization aimed to provide "institution building, training, and technical and logistical support" for the poor, "consciousness raising", and, in 1974, they began offering small amounts of credit during a pilot project in one region of Bangladesh (Chowdhury, Mahmood and Abed 2003: 129). This pilot project spun off a number of other larger test projects until 1979, when BRAC began the Rural Development Program; a fully-fledged microfinance program that offered loan and savings services across Bangladesh (Chowdhury, Mahmood and Abed 2003: 121-122). This microfinance program was significantly different from the Grameen program in that it was offered as part of a larger set of poverty reduction efforts, as opposed to being a stand-alone program like that offered by the Grameen Bank.

After overcoming initial doubt and criticism, the concept of microfinance, in general, and in particular the Grameen Bank model of microfinance, began to

be replicated by other organizations. From the start of the 1980s, microfinance began to spread throughout Bangladesh and other parts of Asia, through the Grameen Bank and other organizations that started their own microfinance programs. Within Bangladesh, the Grameen Bank expanded to cover wider and wider swaths of territory until 1983, when the Bangladeshi government officially acknowledged the institution of the Grameen Bank as a government-recognized microfinance organization whose goal was to address the pressing issue of poverty (Yunus 1999: 119). This helped to further legitimize microfinance as a method of poverty reduction, which in turn generated interest from other countries that sought to replicate the Grameen model. This led to pilot projects in Malaysia and the Philippines, demonstrating that the Grameen model was replicable in countries outside of Bangladesh, and that this could be accomplished without the "charismatic presence" and "constant guidance" of its founder (Yunus 1999: 155-157).

Another development organization that began offering microloans in Asia in the 1980s was the Orangi Pilot Project (OPP), founded by Akhtar Hameed Khan. Much like BRAC's microfinance program, these loans were issued as part of a multi-faceted development project that also included housing, health, and education initiatives for those living in an urban slum in Pakistan (Khan 1998: 43-44). While initially started as only one program within the OPP, the microloan activities were split off into a new organization in 1987, the Orangi Charitable

Trust, to reflect the growth and success of this part of the OPP (Khan 1998: 51-52). This organization, along with BRAC's Rural Development Program, helped to demonstrate microfinance's full potential as a poverty reduction strategy when used as part of a multi-faceted approach to poverty.

Other organizations also began offering microfinance services in the late 1980s, many participating in the Asian and Pacific Regional Agricultural Credit Association (APRACA), an association of various banks and development institutes that began microfinance pilot projects in Indonesia, Nepal, the Philippines, and Thailand. Most projects were somewhat successful in replicating the results of the Grameen Bank's program, and not only further legitimized microfinance as a way of combating poverty, but also expanded the reach and popularity of microfinance programs at an accelerated rate (Seibel and Parhusip 2003: 14, 20-21).

By the late 1980s microfinance programs were common through much of Asia. However, the organizations involved tended to all come across the same problem: securing the capital to finance loans. Upon consultation with numerous microfinance organizations, Muhammad Yunus founded the Grameen Trust, an organization that provided seed funding to microfinance startups around the world to help finance microloans. To fund this project, he received financial backing from the MacArthur Foundation, the Rockefeller Foundation, the World Bank, USAID, the UN Capital Development Fund, and GTZ, the German government's

independent development agency (Yunus 1999: 162-165). This proved to be a major boost to microfinance organizations, which began spreading quickly beyond Asia. Yet, the Grameen Trust only temporarily addressed the shortfall in capital funding for the financing of loans, and, as more microfinance institutions were founded through the 1990s, finding the capital to fund the microloans again became a major issue for microfinance programs. This was the main issue in microfinance that inspired the creation of Kiva and their method of funding microfinance loans.

Kiva: Background and History

Kiva, as an organization, has been in existence for approximately five years, but its history began much earlier. Jessica and Matthew Flannery originally conceived Kiva in 2003 after tying together a number of related experiences in their lives to create a business model for a future organization. Shortly after they both saw Mohammed Yunus speak on microfinance at the Stanford Business School, Jessica Flannery began consulting for Village Enterprise Fund (VEF), a San Francisco-based NGO that operated microfinance programs (Flannery 2007: 32). Through this consultancy, she did impact evaluations on businesses that had been part of VEF's microfinance efforts in Africa. During phone conversations with her husband, Matthew, who was still living in San Francisco and working in the tech sector, they discussed Jessica's conversations with the business owners.

Oftentimes, these conversations would touch on themes of business costs, inventories, capital and other issues related to owning a business, something with which Matthew, an aspiring entrepreneur, readily identified.

They also discussed the "sponsor a child" programs, such as that run by World Vision, that they were both involved with while growing up. Eventually, these elements came together into a "sponsor a business" idea that, while inspired by the "sponsor a child" programs, would focus on loans instead of donations. This was viewed as an important shift for the Flannerys, because, "instead of benefactor relationships, we could explore partnership relationships" (Flannery 2007: 32). Upon solidifying this idea, Matthew went to Africa to travel with Jessica and to further research the potential for the "sponsor a business" model that would eventually become Kiva. This research only reinforced the idea that there was potential for their model and, upon returning to San Francisco at the start of 2004, the Flannerys set out to devise a business plan to implement their idea (Flannery 2007: 34-35).

In the 2004 incarnation of this business plan, a number of familiar features from the current model of Kiva are present: First-world lenders (i.e., "users") supply third-world borrowers with capital in the form of microloans through a web-based platform where content from businesses is posted in the form of pictures and journal articles (Flannery blog 01-30-2006[1]). It is also noted that

[1] Matthew Flannery's blog citations are done in the following style: month-day-year. For the

businesses and organizations in Africa often suffer from "transparency and integrity issues", and that Kiva could serve as a public mechanism through which businesses and microfinance NGOs could improve their reputation and credit rating (ibid). Other ideas such as Kiva offering a piece of the interest paid on the loan to their lenders, and that Kiva could be a for-profit organization were discarded; the first due to regulatory complications that would have necessitated involving the Securities and Exchange Commission (SEC), and the second due to the effect that being a for-profit would have on Kiva's image as a development organization (Flannery 2007: 38).

After drawing up a business plan, the Flannerys began showing it to people involved in development, microfinance, business, and law. The most common concern among these specialists was whether or not the mechanism they were proposing could effectively 'scale up' as the volume of loans got larger, and if it could, how this would be accomplished. Their major concern at this stage was that the organization would not be able to offer the degree of transparency required on a per-loan basis for Kiva to attract lenders successfully. It was suggested that successful microfinance organizations in developing countries would be unwilling to accept $100,000 worth of funding because the costs of providing an acceptable degree of accountability would be too high. This did not bode well for an organization that was planning to provide thousands of loans

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URL, please see bibliography.

ranging from $25 to $2,000. The amount of concern that their proposal generated with the professionals they consulted foreshadowed the issues Kiva faced trying to balance between the rapid scaling up of loan volume and maintaining an acceptable degree of accountability, a concern that continues to this day (Flannery 2007: 36).

After finalizing the logistical components for Kiva, and programming the website for Kiva's online platform, the Flannerys contacted a close friend living in Uganda. He had agreed to act as their intermediary for the initial test run, and had sought out a handful of small businesses that would be Kiva's test batch of borrowers. He identified seven, and posted them to Kiva's website in March 2005 (Kiva Website: Borrower Page[2]). The Flannerys then emailed a group of their friends and family to see if they would be interested in participating, and within three days all seven businesses were fully funded. This was a far better reaction than the Flannerys had been anticipating, as Kiva had generated $3,500 in lending activity in less than a business week just among their family and friends (Flannery 2007: 42). Despite the influence of their own personal relationships with participants in the test run, the reaction they received was strong enough that they immediately began moving to launch Kiva publicly. This meant the Flannerys had to begin working to form partnerships with other NGOs, which Kiva desperately needed to recruit to effectively implement their plan. The

[2] Any references to particular parts of Kiva's website have been assigned names (such as Borrower Page), and are listed in the bibliography as such, along with the URL and the date accessed).

first NGO that Kiva brought in as a Field Partner was the Village Enterprise Fund (VEF), the organization that Jessica Flannery had been working for doing impact evaluations before they began working on the idea for Kiva. With the help of VEF they posted 30 borrowers on Kiva's website at launch, all of which were eventually funded after Kiva was written about in an article on the DailyKos website, a highly trafficked, Democrat-oriented blog (Flannery blog 10-28-2005). This created a greater imperative to recruit more development NGOs who were working in impoverished countries to work as Kiva's Field Partners, while, in the meantime, trying to find more borrowers through VEF to post to their website. Once an organization does become a Field Partner, they are free to begin listing borrowers from their microfinance programs who are eligible for funding through Kiva.

Steps of the Borrowing Process

NGOs that have been recruited to be Field Partners are given access to Kiva's website so that they may post profiles of borrowers looking to take out a microloan. Many Kiva Field Partners already operate microfinance programs, and often have a well-established method for identifying and interacting with borrowers, including employees or contracted loan officers who are responsible for the face-to-face transactions with the borrowers. However, other NGOs with which Kiva has partnered are new to microfinance, and so must find an employee

or contract worker to administer loans, interact with borrowers, and help create content for Kiva's website.

These loan officers are responsible for finding people interested in borrowing money for a business, helping them fill out the application and gathering information for the profile on Kiva's website. They then post the loan request and borrower's profile on Kiva's website, where they can be viewed by the site's browsers (Kiva Website; Borrower Page; Flannery blog 25-07-2006). Kiva users can then choose to lend as much money as they want (in increments of $25) to that borrower. When a user lends some money, it is sent via PayPal, a web-based money transfer company, free of charge to Kiva LLC, a limited liability shell company that Kiva uses to keep users' money protected from any liabilities that Kiva, the NGO, may incur (Flannery 2007: 35). Once users have loaned enough money collectively to fill a loan, the money is transferred again via PayPal to the Field Partner that is responsible for posting the borrower's application. The loan officer then takes the money to the borrower, who begins paying back the loan the following month. Once the loan is paid back, the borrower is then eligible to apply to borrow again through Kiva.

Organizational Structure and Participants

The structure of Kiva's microfinance system is a series of interrelationships that form a chain through which money moves from one end, to the other, and back

again. Kiva does not sit at one end of this chain of relationships, but instead acts "merely [as] a connector" that brings together both individuals and organizations who are seeking to get involved or do more in microfinance (Flannery blog 08-05-2006). Kiva acts as the broker bringing together this chain of interrelationships, connecting Internet users to borrowers living in developing countries through international NGOs working in the development industry.

At one end of this chain are the individual lenders who register on Kiva's website as users and loan money through Kiva. A group of researchers at UCLA Anderson, led by Samantha Nobles, did a survey of Kiva's users (i.e., lenders) on behalf of Kiva, and found that 90% of Kiva users used computers for more than four hours a day, and 75% had a PayPal account prior to using Kiva, indicating a high degree of computer literacy and comfort with using the Internet, especially when it comes to financial transactions. Eighty percent of Kiva users also have at least some college education, and 73% claimed to "know something about" microfinance before their involvement with Kiva. Kiva users are essentially evenly split by sex and age, and fall within the range of 25-60 years old (Flannery blog 04-09-2006). The UCLA survey also revealed that 75% of Kiva users would disapprove of Kiva changing from a non-profit to a for-profit model, with almost 50% claiming that they would not lend money through Kiva were it a for-profit organization (ibid).

This aversion towards Kiva becoming a for-profit organization indicates that Kiva's users believe that Kiva is, above all, a vehicle for social entrepreneurship. Social entrepreneurship is a concept that has been used to explain why people invest and engage in activities that are meant to have a positive social impact on others, and can be broadly defined as someone who pursues an activity explicitly because it has a positive social impact (Dees 1998: 3; Seelos et al 2005: 5; Martin and Osberg 2007: 34). Furthermore, social entrepreneurs are willing to take on risks that other, for-profit entrepreneurs are not, because their respective end goals are different (Martin and Osberg 2007: 34). This aversion to risk by for-profit organizations helps to explain why microfinance organizations have struggled to find the capital they need to finance loans from private sources. Alternatively, the strong desire to "do good" inherent in social entrepreneurism mitigates what risks a lender may face by pursuing an activity (ibid). As discussed in Chapter Three and Four, a large part of Kiva's success is the way that Kiva have been able to draw users (i.e., lenders) to support their microfinance program by channeling their desire to make a positive impact on the issue of poverty. This turns users into social entrepreneurs who believe they are helping the poor through Kiva, individually and collectively, using microfinance as a way to reduce poverty.

Beyond their participation in Kiva's microfinance program, these users are also crucial for generating new traffic and users for Kiva. From the start, the

Flannerys believed that one of the best ways to bring traffic to Kiva's website would be through word-of-mouth advertising by users, and exposure in the media (Flannery blog 01-09-2006). Kiva users are also responsible for a significant portion of Kiva's fundraising, to the point where user donations now cover Kiva's operating costs. When individuals make a loan through Kiva's website, they are given the option of also donating some money to Kiva. Many do, and, on average, Kiva receives approximately 10% of the volume of the loans made in donations (Flannery 12-05-2006). The topic of funding issues for both NGOs and Kiva is discussed further in Chapter Four.

On the other side of Kiva in this chain of relationships are their Field Partners (i.e., in-country NGOs). Kiva's Field Partners are the organizations that are responsible through their loan officers for finding entrepreneurs and business owners that could be potential borrowers on Kiva's website. They are also responsible for assessing the suitability of the applicant, using a "variety" of factors, including "past loan history, village or group reputation, feasibility of business idea, etc" (Kiva website: Risk Management). Field Partners are also responsible for posting borrower profiles to Kiva's website, and uploading content such as photographs and journal entries for Kiva's users to see. The majority of the Field Partners that Kiva has worked with so far operate in either Africa or Asia and range from small, unestablished NGOs looking to take advantage of Kiva's reputation-building system to large, well-funded NGOs such

as BRAC (formerly the Bangladesh Rural Advancement Committee), which, as noted above, was one of the pioneering organizations that helped to establish microfinance as a poverty-reduction tool in the 1970s.

It is worth noting that these organizations fulfill a number of roles and duties that, without their partnership, Kiva would have to take care of itself. Crucially, in the early stages of its planning Kiva decided it would make greater sense to work with other NGOs who were already operating in the development industry. This organizational model affords Kiva two significant advantages over international microfinance NGOs that run programs internally. The most immediate advantage that Kiva gains from partnering with other NGOs is that Kiva saves an extraordinary amount of money in operating costs. Beyond Kiva's main office in San Francisco, there are no other locations where Kiva must pay rent, bills, wages, supplies, and all other costs associated with running an office branch. This allows Kiva to keep their organizational operating costs below 10% of the value of the money they send out in loans; significantly lower than the average operating costs of other microfinance organizations (Flannery blog 01-16-2007).

The other, less tangible advantage that Kiva gains from partnering with other NGOs is that, upon forming the partnership, Kiva gains access to the organizational resources that the NGOs have, including local and regional knowledge, expertise in microfinance, and a pre-established organizational

presence in the locale in which they operate. These assets, which could take years to develop independently, become available to Kiva immediately upon of the final arrangement for the partnership process. Because of this, Kiva is able to tap into and take advantage of relatively developed organizational infrastructures that are already in place, at no cost to Kiva (Fisher 1997: 450; Flannery blog 11-26-2005).

At the other end of this series of relationships are the borrowers themselves. To date, Kiva has listed more than 77,000 borrowers on their website and, as would be expected by the concentration of Field Partners in Africa and Asia, the majority of borrowers are also located in those two regions, with the bulk of the remainder located in South America (Kiva Website: Borrower Page). Interestingly, women make up 78% of these borrowers, a far lower percentage than average in the wider microfinance industry, where women are normally targeted as loan recipients due to the belief that women are more likely to use the money to help their families than men, and that microfinance is an appropriate way of addressing gender issues, as is discussed in Chapters One and Three (Kiva Website: Borrower Page).

A breakdown of how Kiva borrowers use their loan money shows that two-thirds use their loans to finance business activities in three main industries: food sales (29.1%), retail (21.1%), and agriculture (16.9%) (Kiva Website: Borrower Page). The rest of Kiva's borrowers use their money for various other enterprises, with the exception of a very small percentage who use it for non-

business purposes, including housing construction or expansion (2.5%), educational purposes (0.2%), and personal use (0.2%), a catchall category that includes medical expenses, land purchases, housing renovations, marriage ceremony costs, and personal transportation purchases (Kiva Website: Borrower Page). Additionally, while Kiva presents itself as a mechanism through which users can help get people out of poverty, not all Kiva borrowers are materially poor by any standard. While there are certainly some people borrowing through Kiva who are living below the poverty line, there are also a number of borrowers who already have well-established businesses and incomes, and are looking to borrow sums of up to $2,000, which dwarfs the annual income of many people living in impoverished countries (Kiva Website: Borrower Page). This raises serious questions about outreach and who is allowed to borrow money through Kiva, as well as what conception of 'poverty' Kiva is presenting to its users, which are discussed in Chapter Four. This leads into the last part of this chapter, which details the claims that Kiva makes regarding their poverty reduction strategy.

Kiva's Claims

According to their website, "Kiva's mission is to connect people, through lending, for the sake of alleviating poverty" (Kiva Website – Home Page). This is achieved through participation in their microfinance program, which they argue is

"a powerful and sustainable way to empower someone right now to lift themselves out of poverty" (Kiva Brochure n.d.: 1). At the root of their argument is that Kiva microloans (and microloans in general) give borrowers the opportunity to get out of poverty by encouraging and enabling them to engage in business activities that provide a higher income (Kiva Website: About Microfinance). This is backed up with quotations regarding microfinance from organizations such as the United Nations (UN) and the Consultative Group to Assist the Poor (CGAP), a World Bank organization, (ibid).

These quotations serve to advance common claims that are made regarding microfinance, and Kiva very much adopts them as their own. Chief among these claims is that microfinance has the ability to "empower women, thus promoting gender-equity" and that women see "improvements in household economic welfare" as a result of participating. (Kiva Website – About Microfinance). For women, who make up 78% of Kiva's borrowers, microfinance can "[improve] the status of women within the family and the community" allowing women to "become more visible and better able to negotiate the public sphere" (Kiva Website – About Microfinance). This claim makes an explicit link between participation in microfinance and the political empowerment of women. Furthermore, their website claims that "there are even reports of declining levels of violence against women", a highly contested claim that is further discussed in the next chapter (Kiva Website: About Microfinance).

Another claim that Kiva makes on their website is that microfinance is a poverty reduction strategy that maintains a high degree of accountability based on the logic that "loans encourage more accountability than donations where repayment is not expected" (Kiva Website: About Kiva). However, there is no indication as to what accountability measures are in place beyond the requirement of repayment. As discussed in the next chapter, repayment is in fact not the only accountability measure in place; however the scope and focus of Kiva's accountability measures do not reflect the degree of accountability that is suggested by Kiva's claims that their microfinance program (and microfinance in general) maintains a high degree of accountability.

Yet, above all else, Kiva claims that microfinance is an effective way to combat poverty (Kiva Website: About Kiva). This claim does not reflect any of poverty's complexities that were discussed in Chapter One, and suggest that microfinance is indeed the "magic bullet" that has been searched for to eliminate poverty. While Kiva does concede that there are cases where microfinance is not an appropriate poverty reduction strategy, they *only* cite examples where a functioning capitalist market economy cannot be accessed (Kiva Website: About Kiva). In these cases, it is suggested that other interventions take place first in order to create an atmosphere that is more conducive to a market economy in which microfinance can effectively operate (ibid). In other words, when there are no accessible market economies, alternative poverty reduction strategies should

be used, but only until a market economy can be established. Upon the establishment of accessible markets, microfinance then becomes the most effective strategy to address poverty issues.

Summary

Kiva's website claims that by participating in microfinance programs, users can effectively help borrowers pull themselves out of poverty by "empowering" them with the ability to do so through participation in capitalist market economies. Furthermore, in those cases where microfinance is deemed an inappropriate poverty reduction strategy, it is not because it would be ineffective, but instead because those people are not ready to participate in microfinance. These assertions by Kiva are extremely ambitious considering the failure of poverty reduction strategies to deliver promised results in the past. The next chapter explores these claims made by Kiva, and compares the claimed results of microfinance with critical literature analyzing the actual impact that microfinance programs have had on their participants.

Chapter III – Kiva, Microfinance, and Buzzwords

Introduction

Many of the claims that Kiva makes on their website about their microfinance program are rooted in two key paradigms within development thinking. The first is the economistic conception of poverty that has long dominated development thinking, which originated from popular, capitalism-based understandings of the world. This conception of poverty has been a key justification for microfinance as a tool of international development, which has in turn helped to raise microfinance to its current position as a favoured poverty reduction strategy with mainstream development thinkers. The second, related source is the confluence of buzzwords and microfinance that has occurred as microfinance rose to its current place in development thinking. By couching their microfinance claims in the discourse of the development industry, and by describing the significant impact that it can have on borrowers, Kiva aims to promote and legitimize their microfinance program as an effective poverty reduction strategy.

However, by basing their claims of effectiveness on simplified conceptions of poverty and the buzzwords that have come to be associated with microfinance, Kiva does not give a complete picture of the effects that other microfinance programs have had on participants. In fact, when taking into account critical studies of microfinance, the claims that Kiva makes about both their particular microfinance program, and microfinance in general, become

problematic. This chapter reviews the claims that Kiva makes regarding their lending program and microfinance in general, and assesses them based on critical research into the effects of microfinance programs and a critical understanding of the buzzwords used to make those claims. There are three specific claims that are discussed in this chapter, each of which can be linked to a different buzzword or trope in development that was discussed in Chapter One.

The first claim discussed is the assertion that "by supporting women's economic participation, microfinance helps to empower women, thus promoting gender-equity and improving household wellbeing", a supposed effect of microfinance that Kiva cites from the United Nations Capital Development Fund (UNCDF) on their "About Microfinance" page (Kiva Website: About Microfinance). Second is the argument that microfinance is a poverty reduction strategy that involves a high degree of accountability because "loans encourage more accountability than donations where repayment is not expected" (Kiva Website: About Kiva). Finally, that is followed by an examination of the idea that microfinance is an effective strategy for reducing poverty, which is scattered throughout their website (Kiva Website: Home Page; About Kiva; About Microfinance).

Microfinance, Gender and 'Empowerment'

One of the most prominent claims made by microfinance programs, including Kiva, is that participation in microfinance is an effective way to help women overcome inequality in the public and private spheres of their lives (Kiva Website – About Microfinance). However, while microfinance is now framed as a path to women's empowerment by addressing power relationships through the changing of the material conditions of women's lives, the initial justification of the Grameen Bank, which originated the practice of granting loans primarily to women, was that:

> Not only do women constitute the majority of the poor, the underemployed, and the economically and socially disadvantaged, but they [also] more readily and successfully improve the welfare of both children and men. (Yunus 1999: 72-73)

Thus, the targeting of women was not originally conceived as a vehicle for achieving gender equity, but instead as a method of maximizing the impact that microfinance could have on poor families. However, it was not long after its inception that it was also suggested that microfinance could help address issues of gender inequality through the economic empowerment of women. It was argued that by giving women greater control over economic decisions, this would enable them to exert more control over other areas of their lives, thus leading to increased gender equality. This assertion gave primacy to economic factors over social or political ones as the cause of gender issues, finding a common ground

with development economists and others who understood poverty through a primarily economistic framework.

However, there have been a number of criticisms regarding microfinance's ability to deal with the gender issues that confront borrowers. In many instances it has been demonstrated that the strategy of 'gender empowerment through microfinance' has actually undermined women's positions further. For example, one problem related to microfinance and gender is that women who receive microloans face the daunting task of starting or expanding a business enterprise while, at the same time, trying to meet other domestic responsibilities they might have. Due to the fact that women are generally viewed as being wholly responsible for household chores, participation in microfinance programs puts them in the position where they face the double burden of having a job as well as being responsible for all household operations (Mallick 2002: 155). This is in addition to being responsible for reproduction and child rearing, which places additional limits on women's time. These responsibilities have the effect of eating up what little free time women had even before they borrowed money, which reduces the time they have available for "leisure, education, consumption and welfare" (Fernando 2006: 227). Thus, women are still subject to gendered norms such as female responsibility for housework and child-rearing, despite participation in a microfinance program. In fact, these norms also limit the amount of time and freedom women have to work on their business, reducing the

potential benefits that a microloan could have on their business activities and by extension their lives.

Furthermore, in some instances, it has also been demonstrated that participation in microfinance correlates with higher levels of domestic violence, because women's husbands felt justified in beating them for not completing their household duties in a timely manner (Fernando 2006: 227; Rahman 1999: 123). There have also been other cases where microfinance has led to greater abuse and coercion of women. There are multiple recorded instances where women were coerced by husbands or other male family members into applying for a microloan, which the men then commandeered for their own purposes, leaving the women to bear the fiscal and social responsibilities for the loan (Mallick 2002: 154, 157; Fernando 2006: 227). In situations where women tried to resist male attempts to appropriate loan money, there were high rates of physical abuse. Even when women ceded control of the money to men, there were still instances of violence because they had secured a loan that was for a lesser amount than was expected by the man (Rahman 1999: 76-77, 123-124).

It should be noted that it is unclear whether male appropriation of loans is a result of patriarchal power relations, the exclusion of males from most microfinance opportunities, or both. Based on the levels of domestic violence women borrowers have experienced, it would be naïve to believe that all cases of appropriation are a result of the exclusion of men from microfinance activities and

not unequal, gendered power relations. However, even if it were the case that all incidents of appropriation of loans by males were related to issues of patriarchy, to assume that *all* males would be poor loan recipients and to exclude them on the basis of gender as opposed to reputation and past history is somewhat sexist. Consequently, many microfinance programs that target women in the name of 'empowerment' also effectively deny a large percentage of poor people, particularly men, access to the potential benefits that those programs could provide, thereby reducing their potential impact. This is a rarely-discussed consequence of the explicit gendering of microfinance as a poverty reduction strategy, and suggests that the coupling of gender with poverty must be critically reassessed.

The relationship between the provision of microfinance loans and female exploitation and abuse raises questions as to whether gendering poverty-reduction strategies are an effective way to achieve gender equity. Indeed, Cecile Jackson has argued that,

> Gender justice is not a poverty issue and cannot be approached with poverty reduction policies, and that the distinction between gender and poverty is important to assert in the face of the tendency in development organizations to collapse all forms of disadvantage into poverty. (1996: 501)

It could be further argued that by gendering poverty reduction strategies like microfinance to try and address gender issues, it reduces the complex, multi-faceted issue of gender inequity into a simplified economistic issue, which suffers

from the same shortcomings that many conceptions of poverty have. Thus, a re-evaluation of the connections made between gender and poverty issues is necessary, particularly in the context of an economistic poverty reduction strategy such as microfinance. The shortcomings discussed above clearly demonstrate that the assertion that microfinance is a solution to the marginalization of women is tenuous at best and completely inaccurate at worst. Furthermore, the persistence of gender issues and the failure of microfinance programs to address them suggest that instead of approaching gender issues from a decidedly economistic approach, social and political causes should be given greater weight when gender inequity is problematized.

Kiva, Gender, and 'Empowerment'

As the theory that targeting women as microloan recipients is an effective vehicle for gender equity has been proven incorrect, or at the very least, largely inconsistent (see Rahman, 1999), it would be unreasonable to expect that Kiva's current poverty reduction strategy would affect the kind of major social change necessary to address gender issues. These issues, particularly those related to the double work burden and domestic violence that women face, are the result of patriarchal social norms in the regions where microfinance is implemented as a development strategy and not simply as the result of women's restricted access to material assets. In fact, given that gender inequalities are not solely rooted in

material causes, as a microfinance organization, Kiva has little ability to effectively address gender issues.

This directly contradicts the claims made by Kiva that their poverty reduction strategy can help address women's issues in poorer countries. It is readily apparent that the origin of Kiva's claim regarding their microfinance program being able to address gender issues is the fact that this is a widespread notion popular in mainstream development discourse regarding microfinance. Kiva cites both the United Nations and the Consultative Group to Assist the Poor (a group tied directly to the World Bank), both major proponents of mainstream development discourse and buzzwords, as authorities backing up their claim. While the staff at Kiva may wholeheartedly believe the notion that microfinance can 'empower' women, evidence to the contrary means that by making these claims they are instead reinforcing the false notion that microfinance can positively impact gender issues and legitimizing this to their user base. This is discussed in greater detail in Chapter Four.

Accountability and Microfinance

The second major claim that Kiva makes is that their microfinance program places a great emphasis on the accountability and transparency of both borrowers and Field Partners. However, there has been a sizeable amount of literature devoted to cataloguing how microfinance programs enforce accountability, and it

identifies two major areas where problems have emerged, namely repayment and diversion. The first issue, repayment, is relatively straightforward. As with any loan, the lenders expect the borrower to repay the loan in full, according to the terms of the loan contract. Failure to repay the loan results in damaged credit and possible legal action by the lender to collect the outstanding balance of the loan. In the case of microfinance, repayment is often used as the best guarantee of accountability on the part of borrowers, essentially because the easiest way to ensure that people are accountable for money that is given to them is to make them pay it back. The incentive to repay is also often maintained with the promise of access to future microloans in larger amounts and at better rates, whereas if a borrower fails to repay the loan, they risk disqualifying themselves from access to future microloans (Vogelgesang 2003: 2086).

Furthermore, repayment is supposed to help maintain borrower accountability through a variety of reputation-based mechanisms, especially for Kiva. In the case of single borrowers, microfinance organizations often use an internal reputation system in order to assess the reliability of the borrower. The initial loan tends to be smaller in size, and is treated in many respects as a "test run" for the borrower with the institution. Successful repayment then results in access to larger loans at better interest rates (Vogelgesang 2003: 2086). This places a great deal of pressure on borrowers to maintain payments, to the point where they will engage in "debt cycling" if a situation arises where they cannot

make a payment (an issue discussed in more detail below). There is also enormous pressure on borrowers who are members of borrower groups to make their payments on time or risk disqualifying their entire borrower group from future loans. In addition to harming a borrower group's reputation, this can also have the effect of alienating other members of the borrower group and damaging what were previously close social relationships (Giné and Karlan 2006: 3; Rahman 1999: 80; Woolcock 1999: 28-29).

The second issue concerning the accountability of borrowers is the diversion of loan money by borrowers to cover other costs that they may incur during the life of a loan. This is in fact one of the biggest problems with microcredit; indeed, there are far more accountability issues associated with diversion than there are with repayment in microfinance. Diversion occurs when money is diverted from the business activities that the microloan was supposed to cover to other costs such as food, medicine, or school fees for children if borrowers have no other source of money to pay for them (Sharma and Buchenrieder 2002: 227; Rahman 1999: 140-141). Loan money is not only diverted to cover basic expenses, but has also been spent on dowries, money lending, or the purchase of land (Rahman 1999: 107). Money can also be diverted towards paying off other loans that borrowers are responsible for, an activity known as debt cycling. In that situation, borrowers find themselves unable to make an upcoming loan payment, and thus turn to other people or organizations to

borrow money to make the required payment (Rahman 1999: 3). These other sources of money are often relatives, other group members, moneylenders, or even loans from other microfinance organizations (Rahman 1999: 119). These additional loans add to the debt burden that borrowers face, and place further strain on households and household relationships due to financial stress, as described above in the discussion on social capital.

Kiva and Accountability

The two major issues identified in the literature on microfinance regarding accountability stem from other areas where critics have identified problems, particularly the use of social capital in borrower groups, and the economistic issues discussed below. While Kiva claims that they consider the issue of accountability to be of the utmost importance, unlike the literature on other microfinance programs, Kiva focuses primarily on the accountability of their Field Partners as loan administrators. This means that, unlike what is found in the literature on microfinance, the issue of borrower accountability receives very little attention at Kiva. In fact, with regard to borrower accountability, the current policy at Kiva is that as long as borrowers repay the money, there is no need for further involvement (Interview: Kiva employee 1). While this appears to be a relatively straightforward and common attitude with regard to the repayment of loans, Kiva's approach is actually an extremely *laissez-faire* attitude toward the

issue of borrower accountability as a whole. This is because, unlike other microfinance programs, repayment is the *only* area where Kiva is immediately concerned about ensuring the accountability of borrowers (Interview: Kiva employee 1). This is problematic because it exacerbates the issue of loan diversion.

As discussed above, diversion is one of the primary accountability issues cited in the literature on microfinance. However, for Kiva, diversion is not considered to be a problem with borrower accountability, as it is an issue that cuts across the entire microfinance industry. Instead, Kiva views diversion as merely a feature of microfinance as a poverty reduction tool, and not something to be overly concerned about (Interview: Kiva employee 1). While Kiva is aware that diversion is an issue in microfinance and something that should be addressed, they are still developing an official policy response to the issue. For the time being, as long as money is repaid on time, loan diversion is not considered a major problem (Interview: Kiva employee 1). Additionally, diversion is an even greater issue with Kiva's microfinance program because, as noted in Chapter Two, the organization has actively posted requests from individuals seeking out loans to finance non-business related expenses such as home construction and expansion, educational expenses, and "personal use" (Kiva Website: Borrower Page).

This apparent lack of concern for the diversion of loans by borrowers contrasts sharply with Kiva's attitude towards their Field Partners, where Kiva has far more stringent accountability measures. From the initial vetting that microfinance organizations must go through to become Field Partners, to the yearly audits, and the regular review of Field Partners' financial records, it is clear that the accountability measures that Kiva has in place are focused mainly on holding Field Partners accountable, not the borrowers. While this tends to challenge how the literature deals with accountability in microfinance programs, it is consistent with Kiva's stated goal of helping in-country microfinance organizations to develop and enhance their reputation, and improve their ability to secure money from other, more stringent sources of capital. Kiva's current lack of more stringent borrower accountability measures also stems from their operational decision to focus on growth issues in terms of number of loans provided. Thus, while Kiva is certainly aware of the issues pertaining to accountability in the microfinance industry, and with their own microloans (especially as they increase in volume), they have not taken steps to address these issues.

These statements regarding repayment and diversion directly contradict the claims made on their website concerning accountability being a primary feature of Kiva's microfinance program. While Kiva does have stringent accountability requirements for their Field Partners to prevent fraud, they have no

equivalent when it comes to the borrowers. In particular, the lackadaisical attitude Kiva has towards the issue of diversion and the fact that repayment is the only real accountability mechanism in place concerning borrowers calls into question Kiva's commitment to the concept of accountability, especially with the prevalence of the use of "accountability" as a buzzword in development discourse. In light of this, for Kiva to claim that their microfinance program emphasizes "accountability" is somewhat misleading considering there are not even processes in place to deal with major issues concerning accountability that have been identified with other microfinance programs.

Microfinance as a Poverty Reduction Strategy

The final major claim that Kiva makes about its microfinance program is that it is an effective way to help people get out of poverty. However, there is a great deal of evidence available that shows that while microfinance may improve the living situation of some participants, this is not a wide-spread effect, and there are a number of barriers or conditions that affect the impact of microfinance programs. For example, one such condition is the relationship between a borrower's pre-loan income and the benefits that they derive from a microloan. It has been demonstrated that generally the greater the income a borrower has prior to receiving a microloan, the more benefits derived from the use of that loan (Pretes 2002: 1344; Sharma and Buchenrieder 2002: 227). This means that the poor may

benefit from microloans, but the extreme poor do not see the same results. Furthermore, there have also been questions as to whether or not the extremely poor, who need development programs the most, are even *allowed* to participate in microcredit programs (Pretes 2002: 1344). Rahman, for example, found in interviews with Grameen Bank workers that they would often refuse loans to extremely poor women, because they were perceived as a credit risk that would hurt the reputation of that branch and, by extension, the worker's own future prospects for promotion (Rahman 1999: 138-139). This is an extreme example of how pre-loan income can affect the outcome of participation in microfinance by denying those with little or no income the opportunity to be involved in microfinance programs.

However, the broadest critique of microfinance is that it is too focused on the economistic causes of poverty, and it fails to address wider causes of poverty beyond "a lack of material goods." Microfinance organizations' preoccupation with fighting material poverty can lead to a failure to address other facets of poverty such as marginalization, unstable social and political conditions, exposure to illness, and vulnerability to natural disasters, which can often limit or undo any progress made on the material front due to either the diversion of resources to cope with other factors that are not addressed by a microfinance program, or the result of another cause of poverty impacting the material facet of peoples' lives (Rahman 1999: 147-148). This lends credence to the idea that microfinance is not

a "magic bullet" that will eliminate poverty on its own, but should be used as one of many strategies used to simultaneously address the multifaceted nature of poverty (Edwards and Hulme 1996: 3). Such multi-pronged approaches not only maximize the impact of the poverty reduction strategies, but also prevent other causes of poverty from pulling people back into a situation of poverty.

Kiva as a Poverty Reduction Strategy

Because Kiva's poverty reduction efforts rely exclusively on microfinance, they also suffer from the same issues as microfinance. Nowhere is this more apparent than with the concerns outlined above. For example, while Kiva has posted loan requests of as little as $25, they also have individuals asking for up to $2,000, suggesting that Kiva's microfinance efforts suffer from a similar skew towards the "middle poor" as other microcredit programs (Pretes 2002: 1344). Furthermore, while it is outside the scope of this thesis to examine the direct impact of Kiva loans, there is nothing to suggest that the outcomes do not suffer from the same problems as with other microfinance programs. Thus, Kiva borrowers who have a moderate pre-loan income would see far superior results from participating in Kiva's microfinance program than people with low or extremely low pre-loan incomes.

Finally, as discussed above, one of the biggest shortcomings of microfinance is that, as a stand-alone poverty reduction strategy, it places too

much emphasis on approaching poverty from a purely economistic standpoint. Kiva, however, does little to address this issue directly due to the fact that they are an organization focused on microcredit and not a broader poverty relief organization. This means that there is little Kiva can do on its own to address this issue without focusing more on the other services or poverty reduction strategies of their Field Partners. If Kiva placed more focus on applicant NGOs' non-microfinance activities when they are examining a possible partnership with that organization, then they could potentially address this issue. Currently, while Kiva does look at non-microfinance programs and services of NGOs, this is not a determining factor in partnership decisions (Interview: Kiva employee 1). These issues may have been downplayed as a priority in the past, because of Kiva's need to focus on growing their partner base, but if they were to try and address the broader issue of poverty directly, requiring supplementary programs would be the best way for them to go about doing it.

Conclusion

This chapter explored the legitimacy of the claims Kiva makes regarding their microfinance program concerning gender empowerment, the effectiveness of their accountability methods, and the overall effectiveness of microfinance in addressing poverty. In each case it was shown that the claim Kiva made was more of a reflection of the current development discourse surrounding

microfinance, and in the context of critical studies on microfinance concerning those issues such claims are at best, inaccurate, and at worst, misleading to the general public.

In the case of microfinance's ability to empower women, while Kiva makes the claim that participation in microfinance programs can address issues of sexism and gender inequity (Kiva Website: About Microfinance), case studies have shown that participation can in fact have the opposite effect. Female borrowers can be exposed to increased violence at the hands of males (Fernando 2006: 227; Rahman 1999: 123), double or triple work burdens and decreased leisure time (Mallick 2002: 155; Fernando 2006: 227), and co-option of loan funds by male relatives (Mallick 2002: 154, 157; Fernando 2006: 227). Furthermore, participation in microfinance programs does not in any way affect the structural causes of sexism and disempowerment that women face in the social or political spheres of their lives, despite attempts to attribute those structural causes to economic factors.

Kiva's assertion about the accountability of their program (and microfinance in general) because "loans encourage more accountability than donations where repayment is not expected" (Kiva Website: About Kiva) also does not hold up to scrutiny and comparison to case studies on microfinance. While Kiva does have a number of accountability measures in place when it comes to their Field Partners, the borrowers themselves are essentially free to do

what they please with the money, as long as they meet the repayment schedule. This is a perfect situation for borrowers to divert money from business purposes elsewhere, and it occurs with some regularity with Kiva loans. This is evident from cases where Kiva loans were used to pay for housing and renovations, educational expenses, and personal use among others (Kiva Website: Borrower Page). Not surprisingly, this is the most frequently cited accountability problem with microfinance (Sharma and Buchenrieder 2002: 227; Rahman 1999: 140-141), yet Kiva does not have any strategy to address this issue (Interview: Kiva employee 1). Additionally, if borrowers use their loan money to pay off other, more pressing debt obligations, they can get trapped in a debt cycle that threatens their ability to take advantage of microloans to generate more income (Rahman 1999: 3, 119).

Finally, Kiva's assertion that microfinance is an effective poverty reduction strategy (Kiva Website: Home Page; About Kiva; About Microfinance) presents an unclear picture as to the factors involved in cases where microfinance does work in reducing poverty. There is no discussion of or reference to the fact that the impact microfinance has on borrowers' incomes is directly proportional to what their income was before they borrowed the money (Pretes 2002: 1344; Sharma and Buchenrieder 2002: 227), nor is there reference to the fact that a significant portion of the poor (especially the extremely poor) are excluded from participating in microfinance due to marginalization, sex-based selection

processes, and careerism by lending officers wanting to maintain high repayment rates (Pretes 2002: 1344; Rahman 1999: 138-139). This is in addition to the fact that microfinance is a poverty reduction strategy that focuses entirely on the material factors of poverty and material inputs, neglecting the very real social and political causes of poverty (Rahman 1999: 147-148).

This disconnect between the claims that Kiva makes and the reality that borrowers in microfinance programs face is extremely problematic, and has a number of consequences that are discussed in Chapter Four. This disconnect also raises a number of questions about Kiva and their microfinance program that are discussed in the next chapter. Specifically, there are three important questions that are discussed in the following chapter: where do the claims Kiva makes originate, what is the purpose of these claims and why do they make them, and what is the wider impact that these claims have on Kiva, their microfinance program, and those involved it?

Chapter IV – Kiva, NGOs, and the Consequences of Buzzword Discourse

Introduction

Based upon the examination in the previous chapter of the claims that Kiva makes on their website regarding their microfinance program and microfinance, in general, three questions must be asked about Kiva: if the claims that they make are inaccurate or misleading, where did those claims originate? what purpose do they serve? and, what is the impact that these claims have? These are the questions that this chapter seeks to answer. Answers to the first two questions are rooted in the fact that Kiva is a non-governmental organization operating in the development industry, and these are discussed in the first half of this chapter. The answers to the third question, discussed in the second half of this chapter, are related to how Kiva is positioned with respect to their relationship with their users, and the consequences of their buzzword usage.

NGOs, Development, and Discourse

In order to understand why Kiva uses buzzwords, it is important to have a solid understanding of the pressures that NGOs operating in the development industry face, and what effects those pressures have on NGOs and their operations. As relative latecomers to the development industry, NGOs have had a difficult time carving out a niche in which they can effectively operate and that is also accepted by the other constituents that make up the industry. Even those NGOs that have

found roles for themselves are burdened by a number of issues that specifically affect NGOs, and Kiva is no different. There are three specific issues that NGOs working in development must deal with that directly impact their programs, their planning, and, most importantly, their use of discourse. These issues are: funding, legitimacy, and co-option by other interests in the development industry.

The principal issue that all NGOs must deal with is that of funding. By definition, NGOs are not-for-profit organizations, which means that they must search for alternative sources of funding other than solely generating revenue from sales of products and services or taxes. This makes them *extremely* reliant upon funding from outside sources, including charitable foundations and individuals, multilateral institutions, and the foreign aid budgets of Northern countries. The last two sources, in particular, have become the largest and most important source of funding for development NGOs over the past few decades, to the point that by the year 2000 over half of the money that development NGOs had for their budgets came from these sources (Fowler 2000b: 591). This dependence on government-based sources of funding, as well as multilateral funding, has led to a substantive shift in the priorities, focus, and discourse of development NGOs so that they more closely resemble those proclaimed by their sources of funding. In fact, NGOs have become so reliant upon these sources of funding that they are almost held hostage to the whims of those organizations due to overwhelming financial dependency (Fowler 2000a: 642; Edwards and Sen

2000: 615). This dependence, combined with the lack of viable alternative sources of funding, gives funding organizations substantial influence over NGOs, and can substantially alter NGOs' goals and agendas because of their need to secure funding (De Herdt and Bastiaensen 2004: 876; Fowler 2000a: 642).

Significantly, because multilaterals and Northern governments are two of the primary purveyors of buzzwords *and* the two most significant sources of funding within the development industry, other organizations (particularly NGOs) have been quick to adopt new buzzwords as they become *en vogue* with funding organizations for fear of losing their most significant sources of money to another organization that was quicker in adopting the new terminologies. Not only do such influences significantly impact how NGOs theorize and discuss poverty, which in turn affects their poverty reduction strategies, but it also abets the spread of buzzwords through the development industry. This gives buzzwords greater import and legitimacy all the while further diluting and obfuscating their original meanings as organizations alter and adapt them to suit their own purposes.

The need for funding is also very much at the center of the second major issue development NGOs face, namely, doubts concerning the "legitimacy" of NGOs participating in the development industry. In development, legitimacy is generally considered to be the right for an individual or organization to be present and involved in discussion and action about a particular issue (Hudson 2001: 335-336). This has been a significant challenge for NGOs in particular since, as

mentioned above, they are the late-comers to the development industry, and have struggled to find and maintain their role among the governments, multilaterals and businesses that were already engaged in development-oriented activities. This difficulty is exacerbated by the fact that NGOs do not have a strong, widely recognized claim to legitimacy in the general civic arena that the other types of organizations. Thus, perceived legitimacy by other actors in the industry is absolutely essential for NGOs to participate in development, particularly when those other actors are their primary source of funding, and being perceived as illegitimate could mean the financial death of an organization.

In order to achieve legitimacy with funding sources, however, NGOs are required to adhere to certain norms and expectations regarding development that are promoted by funding sources. This requires a high degree of "talking the talk" and "walking the walk" on the part of NGOs, who must show that they share common goals and interests with potential funders. Because the two biggest funding sources for NGOs are multilaterals and the national governments of the rich, Northern countries who have the luxury of being able to pick and choose who receives funding, NGOs must demonstrate that they not only share the goals and interests of those organizations, but that they do so in a way that is compatible with the interests and ideologies of those organizations. Thus, the more an NGO's poverty reduction program fits within the potential funder's framework, the more financial support they are likely to receive. This creates a funding

structure that gives incentive to the uncritical adaptation of the poverty reduction strategies, buzzwords, and ideologies of the funding sources above all else, and essentially forces NGOs into a competition to see who can most closely adhere to the norms and expectations of those funding organizations (Fisher 1997: 453-454; Fowler 2000a: 641-642).

This funding scheme also exacerbates the final issue that confronts NGOs, the co-option of their actions and objectives by the dominant players in the development industry. As discussed above, development NGOs are generally financially beholden to multilaterals and governments of rich, Northern countries, which makes them extremely dependent on those sources of funding in order to continue operating. This situation of dependence impacts development NGOs in two significant ways, both of which have the same result: cooptation. On the one hand, governments and multilaterals have unmatched leverage over the design and implementation of the development programs of NGOs, allowing them to demand changes to programs so that they are more in line with what they believe development should be, otherwise the NGOs risk being refused funding or receiving cuts to their funding. On the other hand, NGOs also face internal pressure to make their proposals match the thinking and beliefs of those same sources of funding in order to effectively compete with other NGOs vying for funds. Together, these pressures push NGOs to line up with their funding sources on these issues to the point where they essentially become proxies for the funding

organizations, parroting the same discourse that they use, and serving the same interests that they serve, all in the pursuit of funding (Fisher 1997: 453-454; Fowler 2000a: 641-642).

Taken together, these three issues, all of which stem from NGOs' critical need for funding, exert a strong pressure on NGOs to adopt the programs and discourses of the multilaterals and governments that fund them. Crucially, this not only forces many NGOs into using the various buzzwords that have found a home in the development discourse, but it also subverts the ability of NGOs to challenge the dominant paradigms promoted by governments and address poverty using frameworks or paradigms that are critical of the interests that multilaterals and rich governments serve (Edwards and Hulme 1996: 6-7; Fisher 1997: 454).

Kiva, Development, and Discourse

Kiva faces many of the same pressures that other development NGOs face in the development industry, in some cases even more so, which helps to explain why they have adopted many of the same discourses prevalent within the industry. However, unlike other development NGOs, the pressures that Kiva face are not primarily from a need for funding (although that was initially a factor), but instead from a need to be perceived as a legitimate development organization. Indeed, the biggest pressure on Kiva to conform in its use of buzzwords is its need to be perceived as a "legitimate" development actor by the wide range of organizations

and individuals that they deal with on a regular basis. Those organizations and individuals with whom they must maintain legitimacy with include their funders and their users, and, importantly, they must be seen as legitimate by their Field Partners.

Kiva's Field Partners are absolutely critical to the proper functioning of Kiva's microfinance program. As discussed in Chapter Two, Kiva's Field Partners do the vast majority of the legwork involved in their microfinance program, from finding and interacting with potential borrowers, to posting borrower's loan requests and information, to doing the brunt of the administrative work involved in a Kiva microloan. Without Kiva's Field Partners, they would not have a microfinance program. This means that Kiva must be seen by potential Field Partners as both a legitimate development organization to deal with, as well as an organization that shares their views and objectives in order to entice NGOs into a partnership. Adoption of the same buzzwords and discourses, particularly ones common throughout the development industry, are a substantial part of achieving this legitimization for Kiva.

This is particularly evident in the literature that Kiva sends to potential Field Partners, which has repeated references to "transparency" throughout (Kiva Brochure). As discussed in Chapter Two, Kiva claims to be a mechanism through which in-country microfinance NGOs can improve their public reputation with regard to accountability and transparency, yet, as discussed in Chapter Three, the

actual processes in place to ensure this accountability leave much to be desired. Nevertheless, this lack of serious accountability measures on the part of Kiva does not hurt their appeal to microfinance NGOs seeking to demonstrate their own commitment to the buzzwords "transparency" and "accountability". Instead, Kiva gains valuable Field Partners, while these microfinance NGOs can point to their participation with Kiva as an indication of their commitment to these priority buzzwords, thereby advancing their own interests with multilaterals, Northern governments, and other funding sources.

Kiva's use of other buzzwords, such as "empowerment", on their website also helps to demonstrate their legitimacy to other development organizations through the use of the same terminology that is prevalent throughout the industry. This not only helps them develop relationships with other microfinance NGOs, but also with funding sources that Kiva courts in order to maintain cash flows from those sources. As discussed in Chapter Two, Kiva needed outside funding at its start in order to cover the operating costs of the organization, and found it in the form of a number of foundations and other funding organizations interested in microfinance and development in general. And, much like Kiva's interactions with potential Field Partners, Kiva's use of buzzwords also helped enable their relationships with potential funders, particularly if one considers "microfinance" itself to be a buzzword. By taking up the use of these buzzwords, Kiva was able to secure the funding it needed to get through the first couple of years of operation

before donations from their users could cover their operating costs, and gained further legitimacy with potential Field Partners by receiving the financial blessing of funding organizations.

Kiva's adaptation of development buzzwords also serves to help with its courtship of new users. It does so in two particular ways, one similar and the other different, to how it helped court potential Field Partners and funding organizations. In the first case, Kiva's use of buzzwords helps to legitimize the organization in the eyes of potential users, many of whom have little or no critical exposure to mainstream development discourse. Their adoption confers Kiva with a certain degree of legitimacy with users due to their widespread use by other agencies working in development that have visible public profiles, such as the United Nations, the Grameen Bank, the World Bank, and the International Monetary Fund. This legitimization through language is similar to that which occurs with Kiva's interactions with microfinance NGOs and funding organizations, except with an arguably less knowledgeable audience.

This lack of critical knowledge of development buzzwords also helps maximize the second effect that Kiva's use of buzzwords has, namely selling Kiva as a way to "help the poor" and engage in "poverty reduction". As discussed by Cornwall and Brock, buzzwords also have the effect of evoking "warm fuzzy feelings" associated with the idea of "doing good" and helping others (2005: 1045). In this context, Kiva's use of buzzwords helps to reinforce

the notion that one can truly "make a difference" by participating in Kiva's microfinance activities, and drawing new users in who also might become future donors to Kiva. As such, in this case the development buzzwords are used in much the same manner as the advertising buzzwords upon which the conceptualization of development buzzwords is based. Thus, instead of words like "green", "organic", or "natural" (for those advertisers looking to frame their products as "environmentally conscious"), Kiva uses terms such as "empower", "accountability", and "the elimination of poverty" to sell their program. However, this use of buzzwords by Kiva has a number of consequences, as is discussed in the following section.

Kiva, Discourse, and Consequences

While Kiva's use of development buzzwords provides a number of benefits for Kiva as an organization, there are a number of consequences that stem from their use that must be discussed and explored. While Kiva's use of buzzwords does not have much impact on the partner microfinance NGOs and funding sources beyond what is discussed above, the potential impact that their use of buzzwords has upon the perception of Kiva's microfinance program is widespread, and of great significance.

The claims that Kiva makes on their website regarding their microfinance program stem directly from their use of these buzzwords. By framing poverty

within a narrative that focuses so extensively on economistic causes and effects, Kiva projects a conception of poverty that allows them to make claims that *appear* to be accurate about the effectiveness of their microfinance program pulling people out of poverty. However, these claims are all familiar ones that are made about microfinance programs in general in the past; Kiva's microfinance program supposedly "helps to empower women", increases the material wellbeing of individuals and households (particularly with regard to nutrition) and, ultimately, "reduces poverty" (Kiva Website: About Microfinance).

Each of these claims is essentially a variation of buzzwords related to development, especially microfinance, which were discussed in Chapter One of this thesis. Thus, it is not surprising given the discussion of specific buzzwords (and the nature of buzzwords in general) earlier in the thesis that any claims based upon those buzzwords do not hold up with close examination of the evidence about the actual impact microfinance programs have had on borrowers, as was done in Chapter Three. In each case, be it with women's 'empowerment', the 'accountability' of microfinance programs, and the overall ability of microfinance to impact poverty, the claim was demonstrated to be a half-truth or best-case scenario, and in each case actually hid or omitted the potential for negative consequences that comes with participation in microfinance programs. Nowhere on Kiva's website do they note that some women face increased domestic violence, appropriation of their loan by male family members, and double or triple

burdens because of their participation in an "empowering" microfinance loan. Nor does Kiva mention that the 'accountability' they focus on is the accountability of their Field Partners, leaving borrowers to do whatever they will with the money, including divert it to unproductive purposes or to pay for food, medicine, or even payments on other loans, as long as it is paid back to Kiva lenders in the end (Interview: Kiva Employee 1). Finally, while Kiva does mention once the fact that microfinance is not always an appropriate poverty reduction strategy on their website, there is no mention of the fact that microfinance works best as part of a suite of poverty reduction techniques that are designed to address various causes of poverty, and that by itself microfinance loans can actually exacerbate a situation by adding the burden of debt to an already dire situation. Instead, Kiva's website gives the common impression that microfinance is the elusive "magic bullet" in the fight against poverty, and that by lending money, Kiva users are actively helping to bring more and more people out of poverty.

Consequently, because they use buzzwords to discuss their program, and poverty in general, Kiva presents to their users what is, at best, an incomplete picture as to what exactly constitutes poverty. This is another consequence of Kiva's use of buzzwords throughout their website. Instead of presenting poverty as a dynamic and multi-faceted problem that necessitates multiple inputs and changes to be addressed effectively as discussed in Chapter One, Kiva's website

frames poverty as something that is exclusively economistic in nature, and is thus very similar to the long-standing conception of poverty as simply a "lack of material goods" that requires material inputs more than anything else to be addressed. Kiva creates this image of poverty in two particular ways. First, Kiva's uncritical use of development buzzwords throughout their website frames poverty in the same way which organizations such as the World Bank, the International Monetary Fund, the United Nations, and USAID frame it when they use that discourse as discussed in Chapter One: it is a strictly economistic issue, with economistic causes in need of a economistic solution. Second, the claims that Kiva makes with regard to their microfinance program suggest that participation in their program, which consists solely of monetary inputs (which must be paid back), can directly impact and eliminate poverty.

The term "poverty" itself often occurs on their website, but it is frequently used in the context of how microfinance addresses poverty, and done so using a number of decidedly economics-oriented terms. Examples include a blog entry on their site titled "Microfinance Impact 101", and their "About Microfinance" pages, both of which explicitly link participation in microfinance programs with higher income, higher spending on food, clothing, and housing, and "clients moving out of poverty faster" (Kiva Website: Microfinance Impact 101; Kiva Website: About Microfinance). Kiva's "About Microfinance" page also makes explicit links between improved economic welfare and "women's empowerment",

citing a United Nations report that states that "by supporting women's economic participation, microfinance helps to empower women, thus promoting gender-equity", thus suggesting that a woman's material conditions of living are directly correlated with the level of oppression and discrimination they face (Kiva Website: About Microfinance). This conception of poverty is also reinforced through the claim that Kiva's microfinance program, which is strictly a material input, can help "alleviate poverty" (Kiva Website: Home Page). While Kiva's website does have one spot where it is suggested that microfinance operates most effectively as one part of a multi-pronged poverty reduction effort, this admission is tucked away at the very bottom of their "About Microfinance" page (Kiva Website: About Microfinance). On the rest of the website, Kiva's program and microfinance in general are lauded for their abilities to address poverty.

This discourse thus acts as an obfuscation of the true nature of poverty, as well as some of its more structurally-related causes. Kiva's projection of a simplified image of poverty on their website thus subverts the possibility for a more thorough understanding of poverty and its causes, as described in Chapter One, and limits their potential to raise awareness of these other facets of poverty. Furthermore, issues related to the marginalization, oppression, and genuine disempowerment are left unmentioned and are, in actuality, obscured by the false conceptualization of poverty that is presented and reinforced by Kiva on their website. Instead, while the material poverty that the poor live through is given

great attention, the marginalization and oppression they face are played down, even ignored, in favour of a narrative that more succinctly fits with the poverty reduction strategy that Kiva is trying to promote. Consequently, Kiva users are no more knowledgeable about the workings of poverty than they were prior to accessing Kiva's webpage, and could possibly come away misinformed about the causes of the plight of the poor. Kiva's uni-dimensional depiction of poverty not only represents a missed opportunity for Kiva to better inform their users about poverty and engage them in a meaningful discussion on the topic, but also provides a framework that allows Kiva to make the broad claims concerning their microfinance program that do not hold up to scrutiny once that framework is deconstructed.

The final effect that Kiva's use of development buzzwords has is that those buzzwords are legitimized to Kiva's users as both appropriate discourses concerning poverty and development, as well as appropriate solutions. Because Kiva's website uses these terms with no accompanying definition or discussion, their appropriateness and effectiveness are presented in an unproblematized manner, allowing the "warmer, fuzzier" implications of the words to be evoked without casting any doubt on their utility for Kiva and other development actors, as well as their actual usefulness in addressing poverty (Cornwall and Brock 2005: 1045).

In addition to the effects that the adoption of buzzwords has for Kiva that are discussed above, this unproblematized use has the effect of further entrenching those buzzwords in development discourse through two particular mechanisms enabled by Kiva and how their program is set up. First, Kiva's use of development buzzwords further legitimizes their use within development discourse. However, it not only reinforces the use of those words among regular players in the development industry, but it also legitimizes these words among their users. As an NGO that effectively acts as a gateway into the development industry for their users, Kiva is positioned as an "authority" on development issues for their users. As such, when Kiva makes use of development buzzwords in an uncritical manner on their website, they in turn give legitimacy to those buzzwords that they use in the eyes of their users who may be unfamiliar with the mechanisms through which buzzwords are created and put to use in development. Kiva's adoption of buzzwords also serves to reinforce the legitimacy of those terms for their users who may have encountered them in literature written by other development actors such as the United Nations or World Bank, both of which are major brokers of these terms. This not only strengthens the place that buzzwords have in mainstream discourse within the development industry, but it also legitimizes those buzzwords with an audience that are effectively outsiders to the development industry, presenting issues of development and poverty to Kiva's users using the same framework for understanding poverty promoted by the

organizations who developed the buzzwords in the first place, protecting many of the interests that control them, and circumventing uncomfortable questions related to the root causes of poverty and inequality.

Conclusion

Development NGOs are confronted with a high degree of pressure from other actors in the development industry to adhere to certain norms and values, including making use of development buzzwords used by multilaterals and governments. This pressure takes the form of potential funding and the possibility of NGOs being excluded from development activities because they are perceived as "illegitimate" by the major organizations in development. Kiva is not immune to these pressures, as they too needed funding during their first two years of operation, and they must be perceived as legitimate by microfinance NGOs, lest those organizations decide not to participate in Kiva's microfinance program. However, by including buzzwords on their website, and couching claims regarding the effectiveness of their microfinance program in buzzwords, Kiva presents an inaccurate picture to their users of what the real impact microfinance programs have on borrowers. Not only does this significantly mislead users as to what they are getting into, but it also legitimizes those buzzwords as effective and appropriate ways of both discussing and addressing poverty issues to Kiva's users. Not only does this spread the acceptability of

those words in development discourse, but it also reinforces the inaccurate conception of poverty as a economistic issue which requires economistic solutions. Kiva's use of buzzwords also serves to further reinforce the exalted place that neo-liberalism and capitalism, in particular, have both within development thinking and in the wider world. The implications of this are discussed further in the final chapter.

Chapter V - Summary and Conclusions

Kiva has achieved a great deal of success when it comes to increasing the size of their microfinance program through identifying new Field Partners and attracting users, however, there are a number of issues with the claims that Kiva makes regarding their microfinance program on their website, and the language used to make those claims. First and foremost among these issues is the fact that Kiva uses a number of development buzzwords on their website and in their brochures to promote themselves and their microfinance program, claiming that it can 'empower' women to overcome gender inequities, that it is an 'accountable' method of development, and that it will 'reduce poverty'. As is the nature of development buzzwords discussed by Cornwall and Brock, each one evokes "warm", "fuzzy", and overwhelmingly positive connotations associated with helping people and "doing good" for the poor (2005: 1045).

By invoking this type of word usage, however, Kiva presents what is essentially a best-case outcome for microfinance programs, when other case studies have actually found a number of potential negative consequences associated with borrowing that contradict the claims made on Kiva's website. Thus, while Kiva may claim that microfinance is a "path for women's empowerment" (Kiva Website: About Microfinance), and, as indicated in previous chapters, studies show that participation in microfinance programs results in greater domestic violence and greater workloads for some women, as

well as cases of co-option of loan money by fathers, brothers, or husbands, while the debt burden still falls on the borrower. This is not the "empowerment" of borrowers promised to Kiva users. Additionally, the claim that microfinance leads to women's empowerment presupposes that women's empowerment can be achieved with only a change in economic circumstances, rather than also through social and political change. The argument that economic factors form the basis of sexism and gender inequity is overly simplistic, neglecting to account for social and political factors, and this also means that Kiva's claim that microfinance can empower women, in the true sense of the word, also overlooks the non-economic factors to gender inequity.

Kiva's claim that their microfinance program is an "accountable" method of poverty reduction also does not hold up to scrutiny. While Kiva does appear to be concerned with the issue of accountability, their focus is completely on their Field Partners, who must submit a number of documents about their organization in order to join Kiva's microfinance program, as well as go through audits and visits by Kiva staff to prevent fraud. By contrast, the borrowers in Kiva's microfinance program must only pay their loans back in order to be considered "accountable", and are essentially free to use the money how they choose (Interview: Kiva Employee 1). There are many cases of borrowers diverting their loan money away from income-producing activities, as Kiva's website indicates that 2.5% of the money loaned through Kiva is used to construct or expand

housing, as well as 0.2% which is used for education expenses, and another 0.2% for "personal use" such as land purchases, housing renovations, marriage ceremony costs, and personal vehicles (Kiva Website: Borrower Page). While this may seem like small percentages, when one considers that the sheer volume of money loaned through Kiva was $100 million USD as of November 2009 (Kiva Webpage: Facts and History), this means that nearly three million dollars were diverted to decidedly non-income generating activities up to that point. Furthermore, when one considers that the average loan for individuals through Kiva is just under four hundred dollars, the approximate number of loans that have been diverted from income generating activities is 7,250 (Kiva Webpage: Facts and History). Again, this is not accountability in the true sense of the word.

Finally, Kiva's claim that their microfinance program, and microfinance in general, is an "effective poverty reduction strategy" also does not give a true picture as to the impact microfinance has had on borrowers in other programs. While microfinance loans do often result in increased income, and, by extension, an improved ability to purchase material goods such as food, clothing, and medicine, this does not mean that those borrowers are no longer poor or exposed to forces that can cause poverty. As discussed in Chapter One, poverty is not a condition caused solely by one's material standard of living, but is instead an array of pressures that span social, political and economic realms of life. Thus, while someone may be a little better off materially through borrowing, they can

still be confronted with other problems that could undo any progress that has been made, such as discrimination, marginalization, political disempowerment or instability, war, diseases, and natural disasters. Indeed, exposure to any of those pressures, and the daunting uncertainty that comes with that exposure, are also factors causing poverty. When this broader definition of poverty is taken into consideration, Kiva's claim that the increased income which can be derived through participation in a microfinance program can *effectively* address the issue of poverty is wishful thinking at best.

By couching the claims made regarding the impact of their microfinance program in the buzzwords found in development discourse, Kiva does a great disservice to their users by not presenting them the whole picture when it comes to the impact that microfinance has had on borrowers in the past. Kiva does not mention potential negative consequences on their website, despite the many that exist, and microfinance is held up as the ever-elusive "magic bullet" to end poverty that has been sought in development for so long. Indeed, it could be argued that by presenting to users idealized outcomes, which rarely occur as commonplace, Kiva may be seen as misleading their users as to the true outcomes of their participation. This is exacerbated by the fact that Kiva benefits greatly from its ability to attract new users to lend through its microfinance program; Kiva receives donations from users to help cover operating expenses at a rate of approximately 10% the volume of money loaned (Flannery blog: 12-05-2006).

As such, Kiva's use of buzzwords acts in many ways like an advertisement to bring new users to Kiva. First time visitors to their website are presented with an opportunity to "fight poverty!" and "empower women!" in an "accountable way" (because you get your money back!), and users can be drawn in by the altruistic possibility of doing something positive to help to address world poverty.

Yet, despite the implications of Kiva using buzzwords to both bring in new users and to gloss over the potential negative consequences that microfinance can bring, Kiva did not insidiously choose this type of language to trick people into participating in their microfinance program. Instead, they were subject to a number of external pressures that exist in the development industry to adopt this type of language, particularly as an NGO. As discussed in Chapter Four, NGOs face tremendous pressure from other actors in development to adopt buzzwords in order to qualify for critical funding, or to be even allowed to participate in development activities as a legitimate actor, and Kiva is no different in that respect. Not only did Kiva have to demonstrate that they were a legitimate development organization to other microfinance NGOs in order to secure their participation as Field Partners, who are crucial to the operation of Kiva's microfinance program, but they also had to do so for the grant foundations that they desperately needed funding from early on in the life of the organization, as described in Chapter Two. Thus, while Kiva does benefit greatly from buzzword usage, they did not come to the decision to use development buzzwords in a

vacuum, but were instead subject to a number of external pressures that are pervasive throughout the development industry.

That being said, Kiva's use of development buzzwords has a number of consequences beyond those discussed above, particularly with regard to the image of poverty that Kiva presents on their website. As discussed in Chapter One, poverty is not merely a lack of material goods, but is instead a condition that occurs when an individual faces some combination of marginalization, discrimination, chronic material want, and general lack of opportunity for a better life. While material conditions do play a part in poverty, they are by no means the only factor, and are often a consequence of other factors than a factor unto itself. This is not the version of poverty that Kiva's website portrays, which is instead unquestionably economistic in nature. By arguing that microfinance can effectively address the issue of poverty, Kiva frames poverty economically, that is, solely as a material condition that can be reasonably addressed through increased income, which is not at all the case. This conception is reinforced by the argument that the increased income, derived from participating in a microfinance program, can effectively address the disempowerment of women, which is a genuine aspect of poverty, but one that is rooted in social and political systems, not simply the material living conditions of women (Green and Hulme 2004: 867).

Consequently, when Kiva uses development buzzwords and makes these claims about microfinance, they are presenting to their users an overly simplified conception of poverty of what is a very complex issue. This simplified, economistic conception of poverty is also the most common version of how "poverty" is defined, so Kiva's use of that conception serves to further reinforce that idea of what poverty is with their users. By doing so, Kiva miss the opportunity to provide their users with a better understanding of what poverty is and how to address it effectively. Instead, Kiva essentially promote a kind of 'false consciousness' with their users as to what the true nature and causes of poverty are.

This lack of information about the complex nature of poverty is further exacerbated by the fact that Kiva's use of buzzwords serves to legitimize the place of those buzzwords in development discourse to their users. As the "authority" on development in the relationship between Kiva and their users, Kiva's use of buzzwords legitimizes them as an "appropriate" discourse concerning development. Furthermore, the prescriptions for poverty that are suggested through buzzword usage, which are overwhelmingly economistic in nature, are legitimized to Kiva's users as effective strategies for reducing poverty when they generally are not. The "buzzword" meanings of these words are also further entrenched by promoting this type of usage in development with Kiva's

users, drawing the meaning further away from the original, more critical meanings of the words, as discussed in Chapter Four.

Thus, while Kiva reinforces the erroneous conception of poverty as a economistic issue, and the appropriateness of buzzwords in discourse concerning development and poverty, they are also indirectly promoting and protecting the interests of those who have had the greatest role in promoting economistic conceptions of poverty and development buzzwords: multilaterals and the national governments of the rich countries of the global North. By adhering to what amounts to a capitalist conception of poverty, and using buzzwords that have been sanitized to fall into line with a neo-liberal, capitalist framework for understanding the world, Kiva indirectly helps to protect the hegemony of those ideological systems, and the organizations that adhere to them by presenting an incomplete picture of poverty and the potential effects of microfinance programs.

This is perhaps the worst consequence of Kiva's use of development buzzwords and their reinforcement of the economistic conception of poverty. Kiva's users are people who are genuinely interested in trying to do something positive to improve the lives of people living in poverty, and are drawn to Kiva's website and microfinance program because of the promise of being able to help others. However, their money and efforts are not likely to have the intended effect of "empowering women" and "reducing poverty" that was promised, and could very well be wasted should the money be diverted by borrowers to non-

income generating activities. Furthermore, the conceptions of poverty that are reinforced on Kiva's website obscure the true nature of poverty, its causes, and potential solutions for users. Thus, genuine individuals are led to believe that they are having a significant impact on the lives of the poor, all the while they are misled as to what causes poverty through a false conceptualization that emphasizes materialism over all else, and are prevented from interrogating the true causes of poverty. This prevents Kiva's users from having a better understanding as to what does need to be done to address poverty, and diverts their money and efforts to a poverty reduction program that cannot effectively deliver what they have promised.

Based on these conclusions, a number of questions can be raised for further research and analysis in this area. The question that arises most closely related to this thesis is: what are the definitions or meanings that different participants in Kiva's microfinance program (specifically the borrowers, lenders, Field Partners, and Kiva itself) ascribe to the different buzzwords that are used on Kiva's website and literature? This would allow for a data-intensive comparison of how different actors and participants in Kiva's microfinance program (and the development industry as a whole) interpret buzzwords, and how this impacts their perceptions of development programs and their effects. Furthermore, this would also serve as a good case study examining the flexibility or vagueness inherent in

buzzwords, and how that malleability is put to use by actors in the development industry.

Another potential area of examination is to examine the relationship between the different secondary services that Kiva's Field Partners offer to borrowers, and the impact that a Kiva microloan has for those borrowers. As discussed throughout this thesis, poverty reduction strategies work best in collaboration with other poverty reduction strategies that address multiple causes of poverty in tandem, as opposed to single poverty reduction strategies, or multiple ones that focus on the same cause. This examination would allow for a thorough impact assessment of Kiva's microfinance program, and could provide guidance as to what supplementary programs are necessary to maximize the impact of microloans.

One final potential angle that could further explore issues raised in this thesis is an analysis of the use of development buzzwords by NGOs as a means of advertising to solicit participation and funding from individuals much in the same way Kiva does. While there have been comparisons drawn between these two different types of buzzwords (Cornwall and Brock 2005: 1045), this comparison does not appear to have been taken to the next step of analyzing buzzwords as 'ad words'. While Kiva does appear to engage in this type of buzzword usage, they are likely not the first, or the only NGO to make use of development buzzwords in this capacity. This kind of analysis would serve to further demonstrate and

explore the way in which buzzwords are chosen to elicit certain kinds of responses or evoke certain meanings similar to the heavy psychological component found in consumer advertising. Additionally, this could help further expose the sometimes insidious manner in which buzzwords work in development discourse, and the illusions that they project in place of the reality of what must be done.

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Appendix A – Informed Consent Form

I, _____ (Please print) understand that I am participating in a research project and voluntarily agree to participate.

I understand that I will be discussing issues surrounding my place of employment and that organization's contribution to the field of microfinance in development. Additionally, I understand that information I provide will be used as a basis of comparison between my employer's organizational structure and application of microfinance to other major microfinance organizations such as the Grameen Bank.

I understand that with my permission digital transcriptions of this interview and correspondence will be kept by the researcher, Brendan Harrison, and that he alone will retain possession of all data collected for this project. I am aware that this data will be kept secure on a private, password protected computer, but that due to the nature of the internet there is a risk that the security or confidentiality of the information may be compromised during transmission. Upon request, I will be provided with a copy of the final, defended thesis which will be given to me digitally. Furthermore, I understand that the information I provide may be further disseminated through articles or conference presentations by the researcher, but only on the same topic as the thesis itself.

I understand that because I will be discussing the organization for which I work there is a minimal risk of discussing topics or information that I may consider professionally sensitive that could potentially endanger my employment status. I also understand that due to the small and select pool of individuals being interviewed it is possible that others may be able to identify my responses, and so complete anonymity cannot be ensured. That being said, I recognize that I am under absolutely no obligation to answer any question and may request the use of a pseudonym or non-attribution of my responses. Additionally, I recognize that I may withdraw from this project at any time up to and including June 15, 2008, and that should I decide to do so I have full control over the information I have provided up to that point and may decide whether the information I have provided can be used or destroyed.

By signing below, I hereby agree that I have read both this form, and the Letter of Information, and that I recognize that I am voluntarily participating in this research project.

_____ _____

Signature Date

Please fax to: Brendan Harrison, c/o Department of Sociology & Anthropology, Carleton University, Fax 1-613-520-4062 or send me a signed copy of this as a scanned attachment.