

Extending Financial Services to A Common Business Man through Online Lending Platforms: A Case Kiva Borrowers

Prof. Waswa Balunywa, Rachel Mindra Katoroogo & Agnes Nassuna Kasirye - Makerere University
Business School

Email: wbalunywa@mubs.ac.ug, rmindra@mubs.ac.ug, anassuna@mubs.ac.ug

Abstract

Over one half of the world's adult population lacks access to formal financial services. They are unbanked and thus financially excluded. It is estimated that about 90% of the 'unbanked' live in developing countries. This is despite the technological progress that has been made worldwide. Financial institutions play a major role in economies world over. They play the role of financial intermediaries bringing together those with the money and those who need the money for investment purposes. They also perform a variety of other services including safe keeping and settlement of debt on behalf of others. They do this at a cost and by creating access to their services to the different users. They therefore have a major role in economic development provide the poor with the capacity to stabilize, increase incomes, build assets and cope with financial shocks. Given the shortfalls of commercial banks, Microfinance emerged as an innovative tool to improve financial inclusion levels in developing countries. Despite the existence of commercial banks and growth of the MFIs, the demand for financial services and therefore financial inclusion is still high, with 60% of the world's population having no access to financial services. The financial inclusion gap unfilled has led to the emergence of other alternative modes of financial intermediation and inclusion. Consequently online lending platforms like Kiva have evolved.

The findings tend to concur with the theory of UTAUT (Venkatesh, 2003) which argues that expected performance, effort expectancy; social influence combined with facilitating conditions will lead to an intention to use a technology in this case the online lending platforms like Kiva. It was found that most of the Kiva borrowers have used the online lending platform due to social influence. They have adopted the use of the online lending platforms to finance their business thus enhancing financial inclusion amongst the low income individuals and entrepreneurs.

This paper intends to establish whether the adoption and usage of online lending platforms promotes financial inclusion in Uganda: A Case of Kiva in a developing country context.

Key words; Financial inclusion, Peer to Peer online lending platforms, Kiva, UTAUT

Paper Type: Research Paper

1.0 Introduction

1.1 Background to the Study

Technology is changing the way we live and work. It has become an important enabler of change worldwide (Friedman, 2005) Information & communications technology (ICT) is one of the technologies that is being used across all areas of development and has and continues to contribute to improvements in people's lives ICTs include radio, televisions telephone, computers, the World Wide Web, and the internet among others. The development of these technologies has impacted on numerous activities changing and improving the lives of many people across the world. (ITU, 2005) In the financial services ICT has created new instruments lowered the cost of intermediation but most important it has created financial inclusion. (Heeks, 1999)

While many factors including ICT drive development and financial access, the increasing number of individuals with without access to financial services is one of the crucial factors (AFI, 2010). Lack of access to finance has been cited as one of the major constraints to growth of businesses and indeed nations. Nations world over attempt to attract capital through foreign investments with a view to causing development. Not only do these countries lack finance but a large number of the population lacks basic financial services like a bank account later on access to credit.

The United Nations, (2011) reports that three billion people around the world do not have access to formal financial services like savings accounts, credit, insurance, and payment services. More than half the population in developing countries and more than 80 percent of households in most of Africa is financially excluded therefore they have a major role in the levels of economic development (cite) It is estimated that about 90% of the 'unbanked' live in developing countries. This is despite the technological progress that has been made worldwide. (Hulme, Arun, 2009)

The most obvious consequence of this situation is that the poor either go without access to finance or have to rely on informal financial services that may be more costly and also unreliable. This inequality denies the vulnerable and poor an opportunity to participate in the economic development process. Financial institutions play a major role in the process of economic development world over. They act as financial intermediaries bringing together those with the money and those who need the money for investment purposes. They also perform a variety of other services including safe custody, settlement

of debt on behalf of others among other services. They do this at a cost by creating access to their services to the different users. (Rippey, 2010)

Among the key financial institutions are commercial banks. These have served as the main intermediary in promoting financial inclusion. Their main role is to receive deposits from customers and on-lend this money to those who need it. However, commercial banks are unable to reach the entire population especially in developing countries with a large rural population. Beck & Demirgüç-Kunt (2008) attributed this to the cost of branch networks and the attendant costs of running those branches. Since the majority of the active poor do not have incomes to put into the bank and neither can they meet the stringent borrowing requirements set by the commercial banks, they do not use these institutions.

To overcome these shortcomings, various financial intermediaries have developed. One of them is the Microfinance Institutions (MFIs), others include; money lenders, Rotating Savings and Credit Association (ROSCAs) and Saving and Credit Cooperative (SACCOs) (Ahimbisibwe, 2007) ROSCAs and SACCOs tend to fit into the description of MFIs since they bring together groups of people who make regular cyclical contributions to a common fund, which is then given as a lump sum to one member of the group in each cycle.

Nobel Peace Prize winner Muhammed Yunus started the Grameen Bank in 1976 with the concept of lending money to poor people who normally could not get financial services (Hoff, 2010). Since then the microfinance industry has grown and new attempts with innovative business models have been made to serve the poor all over the world. (Hirth, 2007) Numerous schemes have been started worldwide in Malaysia, Brazil, India and other countries. Some international schemes that operate in developing countries have also been started; these include institutions like FINCA, Pride Microfinance among others. In Uganda numerous local institutions have been formed for the purpose.

Despite the growth of the Microfinance Institutions they have not been able to meet the demand for financial services globally. (Matthäus-Maier & Pischke, 2006) indicate that the demand for financial services exceeds the supply available. This means that even the MFIs are not growing in sufficient numbers to address the demand for their services. The failure of commercial banks to create financial inclusion is partly attributed to the high cost of intermediation that arises from providing access especially to rural areas that do not have appropriate infrastructure. It was expected that the MFIs being smaller would have a smaller overhead and would provide more access to borrowers. However MFIs have also has challenges similar to those of banks though in lesser proportions.

MFIs went around the issue of collateral by using group lending. They also provide much smaller loans. Despite this, they have had challenges with repayment. They are also reported to have high interest rates thus raising their transaction costs. (Year of Microcredit, 2005) Of course they have also had a challenge of policing group loans. Other challenges MFIs face are reaching the borrowers, MFIs have also been challenged by locating in the rural areas.

In Uganda, the Finscope (2009) study revealed that only 28% of the adult population are served by formal institutions such as commercial banks, Credit Institutions and Microfinance Deposit-Taking Institutions (MDIs). It further reports that 42% are served by informal institutions including SACCOs, ROSCAs and VSLAs among others. The remaining 30% of the Ugandan population is not served by either formal or informal financial service providers. The study also revealed that the most commonly used source of credit were; shops (54%), friends (25%) and informal groups (24%) Only 7% were found to have borrowed from commercial banks while 3% and 2% were borrowing from MFIs and SACCOs respectively.

The CGAP and (Rosenberg et al, 2009) report that operating costs are probably the main area to further reduce microfinance costs. In addition to reducing operating costs, financing costs can and are being reduced owing to the reduction of spreads possible through online lending. In addition, online lending offers an increased outreach to people living in isolated rural areas. This increased outreach would further reduce both transaction costs from economies of scale and financing costs through larger loan negotiations. (Ashta & Assadi, 2009)

With the advent and growth of the internet and other technologies adaption, the number of the financially excluded appears not to be reducing substantially. This is giving rise to the need for alternative methods of financial inclusion models that have been developed including state models in Amanah Ikhtiar in Malaysia, Asha in India and other private sector models including MYC4, Kiva, Monetto, DhanaX, Microplace, United Prosperity, Babylon among others. The financial inclusion gap unfilled by both commercial banks and MFIs coupled with the integration of internet and technological adoption, other financial intermediation alternatives have arisen.

In developing countries, online micro-lending may have a more difficult future since most poor people are illiterate and do not have access to internet via a computer or even a mobile telephone. In such countries, mobile banking is considered the best solution. However in Uganda for example, as of June 2010 only 3.5 million Ugandans had access to internet and about 10 million mobile telephone users

(UCC Report 2010) Therefore, outreach of mobile banking may have a greater potential than that of online micro lending.

The financial Access Report (2010) highlights that ensuring that households have access to a broad range of financial services is a critical objective of the financial inclusion agenda around the world, developing countries like Uganda being no exception.

This paper therefore discusses the adoption of this relatively new phenomenon of online peer to peer micro-lending platforms which targets both entrepreneurs and individuals looking for microcredit to finance their liquidity shortages which enhances financial inclusion in developing economies like Uganda.

1.2 The Problem

Uganda's financial sector has experienced tremendous transformation since 2000 but the financial industry remains shallow and a large proportion of Uganda's population remains unbanked. The ratio increased from 11.2 percent in 1995 to 20.7 percent in 2008 (WDI and GDF 2010). In addition, financial intermediation is low playing a limited role in the provision of funds for development finance and dominated by commercial banks (Mugume, 2008). Overall, the financial sector is still under developed and has a relatively low level of automation compared to Kenya and Tanzania.(Ssonko, 2010)

1.3 Objectives of the study

This study was done to establish whether the online lending platforms promoted financial inclusion in Uganda: A Case of Kiva.

Specific Objectives

- To find out whether kiva online lending is useful in business financing
- To find out whether the borrowers find the kiva online lending platform convenient to use in financing their businesses
- To find out how society influences the borrowers to use the online lending platform
- To find out the facilitating conditions that influence the borrowers to use the kiva online lending platform

1.4 Methods

In line with the UTAUT model, our research took the same direction and acquired a technology that captured these four constructs of the model. Performance Expectancy (usefulness of the Kiva, an online lending platform), effort expectancy (convenience to use Kiva, social influence (personal imitative to use the kiva as a source of financing small businesses) and facilitating conditions (various factors that would influence a potential borrower access and use the kiva facilities to finance the business) which will eventually lead to the intention to use the kiva an online lending platform operating through an MFI, a field partner operating in the local country on behalf of Kiva.

The survey was carried out among Kiva borrowers in Kampala, Uganda. The interviewers used both questionnaires and in-depth interviews to gather information. Both quantitative and qualitative research was carried out. The questionnaire was tested for validity and reliability and it was found reliable at **0.6**. SPSS statistical tool was used for data analysis. Sample size was determined using krejcie and Morgan table (1970).

1.5 Case of Kiva

Kiva, an American company, started an online micro-lending model in 2005 to target mainly the needy entrepreneurs in the developing countries. Kiva is a non-profit organization that connects online lenders with microenterprises through MFI partners, currently 88 MFIs in 60 countries. Kiva works with MFIs on five continents to provide loans to people without access to traditional banking systems. 100% of the loans received from investors (lenders) is sent to the MFI, which is called the Field Partner, who administer the loans to the borrowers who need to finance their businesses. Kiva relies on a worldwide network of over 450 volunteers who work with the Field Partners, edit and translate borrowers' stories, and ensure the smooth operation of the Kiva programs. 100% of every dollar that is lent on Kiva's online lending platform goes directly towards funding loans; Kiva does not take a excess funds for themselves.

As with many online businesses, there is a strong first-mover's advantage as these platforms compete for funds and market share. Among online lending and investment platforms focusing on microfinance, Kiva has enjoyed such an advantage. The key aspect in this study is to evaluate Kiva as an alternative to microfinance institutions. According to Flannery (2009), Kiva would reduce their investor base with 50% if they changed from non-profit to for-profit. This indicates that the market for social investors is enormous and a significant amount of investors do not need any return on investment.

For Kiva to further expand they had to find partners in other regions. Kiva reduced their partner base with 90% by limiting their operations to Africa. Secondly Kiva would reduce their investor base with 50%

if they changed to a for-profit model. Kiva is non-profit and offers a 0% interest rate which makes their model far more attractive to local providers, in terms of price. (Microfinance Gateway, 2008)

Kiva avails money from on line lending to field partners at a zero percent interest rate. Kiva sources its funds from donations, grants and loans by lenders. Kiva with its number of field partners and lenders incurs operating costs. Kiva therefore has transaction costs. These costs are met in various indigenous ways; for instance Kiva does not have a large number of employees. Kiva's activities are managed by volunteers and at the time of this paper, there were 450 volunteers around the world in 60 countries. Wages and salaries is usually a major component of any service organization's cost. If Kiva does not incur major wages and salaries costs, it then means it has no major transaction costs. Besides the volunteers, Kiva also receives money in form of grants or sponsorship. When lent out and repaid, this money constitutes part of Kiva's in-house resources. These may be used to defray costs incurred by kiva. In a traditional sense however, Kiva has no transaction costs and the transaction cost theory therefore does not seem applicable to it. Kiva's lending process sets up another intermediary, this is the field partner. The field partner who is a local MFI incurs costs. These are the cost of evaluating borrowers' proposals, administering the loans and the labor costs that are ordinarily associated with any financial intermediary. To be able to meet these costs, a field partner charges some interest on the loan advanced.

For customers, interest rates represent the cost or price of loans. This price, like other types of price, is influenced by factors such as: competitor's pricing, profitability targets, consumer's price sensitivity, cost of supplying the product to the market, and especially risks, regulations, and economic and social considerations within the banking industry. There is usually high consumer demand elasticity for low interest rates. Charitable organizations such as Kiva, do not charge a rate at all.

Kiva's main strength to date has been on the lender side, because of the fact that it has opened the door for retail investors to invest in micro, small and medium enterprises in developing countries, thereby reducing barriers to entry and spreading information about the sector (USAID, 2008). The SME lenders, and particularly for microfinance institutions, the growing success of the peer to peer marketplace like Kiva offers an opportunity to increase access to capital and diversify funding sources by attracting a new investor class of small, socially motivated investors willing to change people's live. In addition, online lending platforms like Kiva which cross international borders face many of the same constraints as microfinance investment vehicles, such as political risk and currency risk and determining who is best equipped to manage this risk (USAID, 2008). Social networking has helped integrating online lenders and investors to today's online lending and investment platforms. Kiva can

contribute to paving the way for the next generation of socially responsible investors by showing the small investor/lender how their money can be used to do good in the world while returning the principal amount of that financing to the lender and perhaps even generating a financial return on this principal (Burand, 2009).

As with many online businesses, there is a strong first-mover's advantage as these platforms compete for funds and market share. Among online lending and investment platforms focusing on microfinance, Kiva has enjoyed such an advantage (Burand, 2009).

1.5.1 Unique features of Kiva

Kiva developed as a result of a need by individuals to promote financial inclusion. Organizations in this type of industry must make a profit to survive. Kiva however is a non-profit organization. This is a unique feature of a financial intermediary. Kiva as a non-profit organization does not charge interest on loans disbursed to field partners for on lending to borrowers. Again as a financial intermediary this is one of Kiva's unique features.

Unlike other intermediaries, Kiva works through volunteers who are not paid salaries and this is also a unique feature for an organization in the lending business. Unlike other financial institutions, Kiva seeks its on lending funds from sponsors, donors and individuals who are not seeking a profit on investment. This too is a unique feature of Kiva. Besides these, kiva uses the web platform for seeking funds from lenders and also to receive requests from field partners in the developing countries whose businesses they seek funding.

1.6 Literature

1.6.1 The Concept of Financial Inclusion

The exact conceptualization and operationalisation of Financial Inclusion (FI) varies across the globe from country to country (Rahman, 2009). Irrespective of these variations, at its basic, financial inclusion means reaching out to the under-banked and un-banked citizens of a country with a view of providing them with appropriate, adequate, affordable, and timely financial services such as accounts, credit, and insurance amongst others. (Ssonko, 2010)

The MasterCard foundation (2010) summarizes the theoretical implications of financial inclusion: "substantive financial inclusion encompasses more than simple access to financial services; it requires the educated and savvy use of these services, or financial capability, among clients. Promoting youth

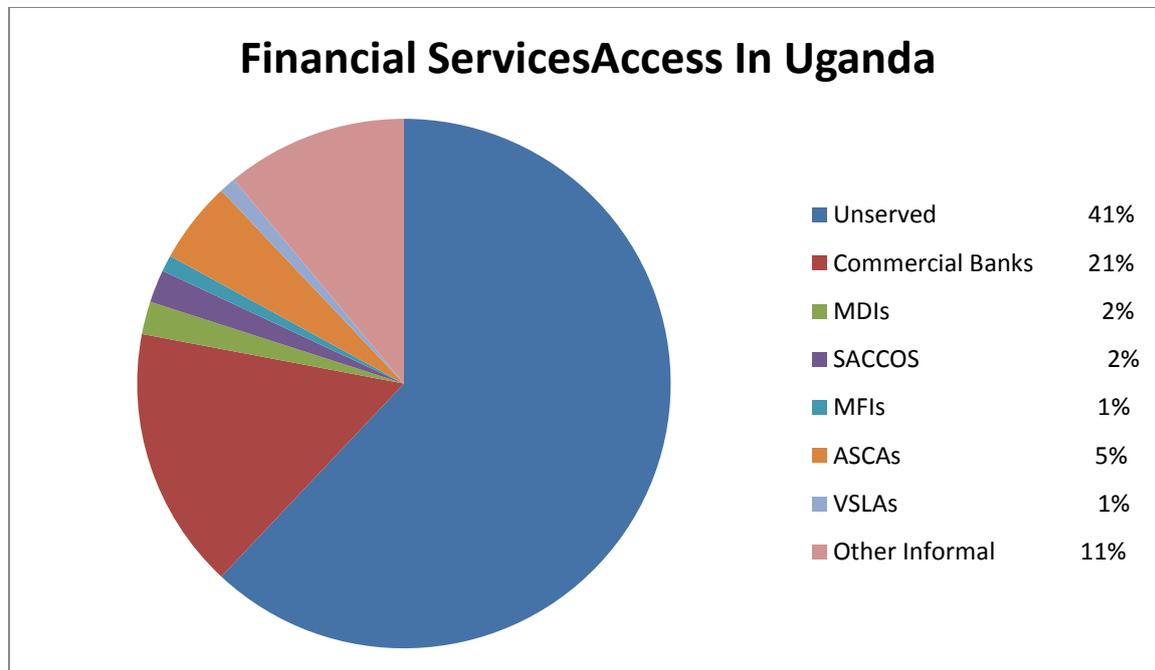
savings could therefore also enhance financial inclusion by increasing young people's knowledge of and experience with financial services, inculcating good habits when they are relatively easier to form"

(Bihari, 2011, Rangarajan Committee, 2008) define financial inclusion¹ as a process that aims to provide timely delivery of various financial services at an affordable price to financially excluded households and small and medium-sized entrepreneurs (SMEs) at an affordable cost. (Sarma & Pais, nd) argue that an inclusive financial system facilitates efficient allocation of productive resources and thus can potentially reduce the cost of capital. In addition, inclusion significantly improves the day-to-day management of an individual's finances. Beck et al. 2007 argues that an inclusive financial system can help in reducing the growth of informal sources of credit (such as money lenders), which are often found to exploit the low income earners. (Carr & Schuetz, 2001; Kempson, Atkinson, & Pilley, 2004; Collard, Kempson, & Whyley, 2001) show that financial exclusion is widespread in developing countries and especially those with high levels of income inequality. Thus, an all-inclusive financial system enhances efficiency and welfare by providing avenues for secure and safe saving and borrowing practices.

Financial inclusion aims at drawing the unbanked population into the formal financial systems so that they have the opportunity to access financial services ranging from savings, payments, and transfers to credit and insurance (www.afii.org) These financial products have proven to be great tools that mitigate the effects of low, irregular and unreliable incomes which keep many people below the poverty line. (Kasekende, 2010) Exclusion from the financial system denies those excluded the benefits of financial services and in the process making them pay higher costs or such services and yet they are the ones who least afford. Promoting financial inclusion has therefore been, and continues to be, a key priority for many people in both developed and developing countries (HM Treasury 2007). It is surprising that the Financial Access Report, 2010 finds that the use of basic deposit services expanded by 4% median growth rate amongst developing countries. This was after the global crisis which had a significant impact of nearly 60% of the economies' real per capita income in 2009. It is contrary to the individual economies figures say Uganda which still shows a 62% population being unserved by either a formal or informal financial institution.

¹ In Uganda, the basic concept of financial inclusion is having a savings account with any financial institution. In reality, it includes having access to credit, insurance services, investment opportunities among others.

The scope of financial inclusion is two-fold; through state-driven intervention by way of statutory enactments and secondly through voluntary effort by the banking community itself for evolving strategies to bring within the ambit of the banking sector, the larger strata of society (Leeladhar, 2005)



Sentumbwe. S, (2011) 'An analysis of the Finscope Uganda 2009 Survey Report'

Sentumbwe, 2011 further argues that despite an increase in the usage of financial products and a significant reduction in financial exclusion figures, currently Uganda is not succeeding very well in increasing financial inclusion to the expected standards.

In Uganda, the banking industry has shown tremendous growth in volume and complexity. However despite making all these improvements to include many more people and also relating to financial viability, profitability and competitiveness, there are still concerns that a vast segment of the population especially the underprivileged have been excluded.

There are multiple barriers to expanding financial inclusion that vary from one country to another. Key barriers include the high transaction costs of delivering small-scale financial services across large geographic distances, infrastructure constraints such as lack of roads, fixed telephone lines, and ID systems, and insufficient information amongst both providers and consumers. (AFI Global Policy Forum, 2009) The lack of data on the state of financial inclusion is another main constraint, both to advance financial inclusion and to evaluate the impact of policies aimed at improving access. MFIs have been developing as an alternative to commercial banks.

Microfinance is an attempt to improve access to small depositors and provide small loans for poor households neglected by banks. Schreiner & Colombet (2001) Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

The provision of financial services like credit, savings and insurance to poor people has generated a lot of attention as a means to combat global poverty. It has similarly achieved widespread support from the donor communities. (Cull, & Kunt, 2009) During the last 30 years, new methods of delivery of financial services have been developed and today more than 100 million poor people participate in microfinance programmes (Daley-Harris, 2002). This is because the formal financial sector finds financial services to the poor. The formal financial sector found financial services to the poor unimportant for the economy, unprofitable for financial institutions and unnecessary for the poor. However the development of MFI's has shown that it is possible to lend to the poor in a profitable way. Armendariz, & Moduch (2007). Several MFI's have performed well with borrowers repaying back funds lent to them. (Robinson, 2001) argues that despite the fact that they have not been able to comprehensively meet the increasing demand for financial access especially amongst the vulnerable and poor, this continues to justify the need to increase and promote access to basic financial services using other alternative methods. This is possible in this increasingly digitized and globalised environment today. Kiva as an online lending platform amongst other platforms is operating in the microfinance sector to ensure this. The number of online lending and investment platforms focusing on microfinance is steadily growing to make a contribution to enhancing financial inclusion in developing countries like Uganda.

Considering the remarkable interest in finding new ways of increasing financial inclusion in most developing countries like Uganda using new technologies or ICT, such online lending financial services are of utmost importance to assess whether these schemes can indeed favor financial inclusion and economic growth in the long run. Service providers including banks, mobile network operators, MFIs and even policy makers should be keen on developing online financial services rapidly.

The financial infrastructure gap is a niche for financial services providers and policy makers to improve access to financial services in developing countries like Uganda amongst others.

1.6.2 Peer to Peer Online lending Platforms

Peer-to-peer lending (P2P) is a means by which borrowers and lenders may transact business without traditional intermediaries, such as banks. The process may include other intermediaries who package and resell the loans but the loans are ultimately sold to individuals or pools of individuals. An enabling

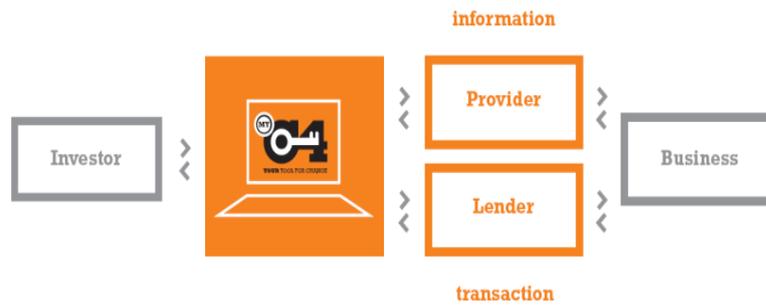
technology for P2P lending has been the Internet, which connects borrowers with lenders, for example through an auction-like process in which the lender willing to provide the lowest interest rate “wins” the loan to the borrower (Hulme, 2006). However in developing countries there are several constraints to using a P2P model to connect borrowers and lenders. Constraints are a lack of internet access and financial and computer literacy. To address these constraints, intermediary P2P models such as Kiva among others were established to facilitate lending to developing countries (USAID, 2008) through MFIs.

The Peer to peer lending space has shown signs of quickly adapting to market changes and to broadening access to financial intermediation. However, for both borrowers and lenders, it is still a nascent industry and has yet to demonstrate its potential for scalability (USAID, 2008). The amount of online financing available to the microfinance sector as a whole is growing fast, with organizations like Kiva raising as much as \$1 million every 10–12 days which then is relented to micro entrepreneurs (Burand, 2009).

Partner institutions play an important role in the intermediary P2P model in the selection and credit assessment of borrowers because of the platforms targeting developing countries are located in developed countries (USAID, 2008). This distance, combined with the absence of credit bureaus, makes it difficult to otherwise identify strong borrowers and confirm the information provided by potential borrowers to maintain the integrity of the platform (USAID, 2009). The main benefit that online Peer to Peer lending platforms offer individual investors is that they have very low minimum investment requirements, providing broad access to investments in micro, small and medium sized businesses. Obtaining a social return is often a stronger motivation for lenders to lend than the financial return (USAID, 2008).

In 2005, the American online lending company Kiva began to assist MFIs seeking funding, by creating an internet platform where social investors could lend money to active borrowers through their field partners in Africa. Kiva is a non-profit organization that connects online lenders with microenterprises through MFI partners, currently operating in 60 countries. Kiva’s 627,390 lenders have loaned a total of almost \$ 247 million 320,000 borrowers.

Fig.1



Source: Hoff, 2010

Figure explanation: Investors are the people who want to invest in businesses (borrower) globally. Investors lend money to kiva through the platform. Kiva sends the money to the MFI field partner who uses this money to loan to borrowers. These entrepreneurs are at the platform because they lack capital to start, grow or sustain their businesses.

1.6.3 Performance Expectancy (Perceived Usefulness of the technology/system)

Perceived Usefulness is defined as the degree of which an individual believes that using a system would improve their job performance (Davis,1989, p. 320) For example Wong and Hiew (2005) suggested that the usage of m-commerce is strongly driven by the usefulness of the mobile service, which includes; personalization, localization, timeliness and network stability. Consequently, in this study, Perceived Usefulness is defined as the extent to which individuals who believe that the use of an online lending system to borrow money will improve their business performance and income in the short and long run. This construct not only assesses the extrinsic characteristics of online lending platforms, but it also shows how online lending can help the users (borrowers) to achieve task-related goals, such as effectiveness and efficiency (Ho and Kwok, 2003) (Sserwanga et al, 2011)

Davis (1993) argues that perceived usefulness is the most influential determinant of system usage underscoring the importance of incorporating the appropriate functional capabilities in new systems. Further, positive association between perceived usefulness and system usage has been reported by several studies (e.g., Al-gahtani & King, 1998; Davis, 1993; Thompson et al., 1991). Goodwin (1987) argues that the effective functionality of a system, i.e., perceived usefulness and depends on its usability.

1.6.4 Perceived Facilitating Conditions

This concept refers to the degree to which a person believes that using a particular online financial facility would be secure. In an internet environment, lack of consumer perceived security and trust in the system is one of the main barriers to electronic and online transactions or usage (Siau et al., 2004). The key requirements for secure financial transactions in an electronic or online environment include confidentiality, data integrity, authentication, and non-repudiation (Shon & Swatman, 1998). Other security factors important for consumer adoption are anonymity and privacy, which relate to use policies of customers' personal information and purchase records (Jayawardhena & Foley, 1998; Shon & Swatman, 1998)

1.6.5 Social influence and online lending usage

According to Lu et al. (2003) Social Influence according is equivalent to subjective norm and is defined as an individual's belief about whether significant others think that one should engage in the activity. Chang (2004) found that social factor can enhance the validity of the TAM in internet usage. Interpersonal influence normally comes from social network such as peers, friends, superiors amongst others (Rao and Troshani, 2007). Fan et al. (2005) stated that user is more likely to suggest and recommend a service to others, if he or she is satisfied with the service. Their finding also revealed that social influence had more impact on user's acceptance of technological usage than perceived usefulness and performance expectancy. Khalifa and Cheng (2002) also found that Social Influence had strong effect on consumer internet usage.

Triandis (1981) called social influence as *social factors* and defined it as "the individual's internalization of the reference groups' subjective culture, and specific interpersonal agreements that the individual has made with others, in specific social situations"]. In their own model, Venkatesh et al. defined social influence in their study as the degree to which an individual perceives that important others believe he or she should use the new system.

When facing overwhelming online information, to reduce the cognitive effort, people tend to follow others' choices rather than making their own judgment (Bonabeau, 2004). Other people's actions could also affect individual's evaluation of quality. Salganik et al. (2006) conducts two experiments to examine the effect of social influence on people's perception of quality. Therefore it is evident that people tend to believe that 'popularity' implies better quality. Likewise, social influence could affect people's perceptions of quality and use of an online lending system.

1.6.6 Behavior Intention (Attitude towards technology usage)

Attitude is defined as a person's feelings about performing behavior. Perceived behavioral control is defined as "the perception of how easy or difficult it is to perform a behavior" (Fusilier and Durlabhji, 2005, p. 234) and subjective norm is defined as "one's beliefs about whether significant others think that one should engage in the activity" (Fusilier and Durlabhji, 2005, p. 234). Semantics differ across all academic fields, but psychologists generally recognize three types of attitudes: (1) perceptions (or cognition), which encompass evaluation beliefs about the existence and attributes of an object or concept, (2) feelings (opinions or affective judgments) of like or dislike, and (3) conation, which encompass wishes, drives, instinct and inclinations to act purposefully (Day, 1973)

To this extent, Melone (1990) tailored this definition so that a user attitude can be defined as: *a predisposition to respond favorably or unfavorably to a computer system, application, system staff member, or a process related to the use of that system or application*. She further elaborates that although the tailored definition is useful contribution to information systems research, a much potential contribution is only when we consider the structure of attitudes and the implications this structure has on user cognition and behavior. This research is an attempt to investigate such structure and potential network of relationships of attitude with two cognitive variables i.e. perceived usefulness and system usage behavior as the key outcome variable (i.e., IT acceptance). According to TAM, usefulness has a significant impact on a user's attitude towards using a system. Behavioral Intentions to use a system (BI) are modeled as a function of Acceptance and Usefulness. Behavior Intention then determines actual use.

1.7 Theoretical Framework

1.7.1 The Unified Theory of Acceptance and Use of Technology (UTAUT)

Various models have been proposed to explain the adoption and usage of technology by individuals (Xeng et al, 2009). This includes various types of technology including the online lending platforms amongst the various forms of technology. Var Venkatesh et al, (2003) proposed the Unified Theory of Acceptance and Use of Technology (UTAUT) by integrating elements across eight major user acceptance models (i.e. theory of reasoned action, technology acceptance model, motivational model, theory of planned behavior, a combined theory of planned behavior/technology acceptance model, model of PC utilization, innovation diffusion theory, and social cognitive theory).

UTAUT has four constructs namely; performance expectancy, effort expectancy, social influence and facilitating conditions which determine users' intention to adopt and use a particular technology.

Venkatesh et al, 2003 demonstrated that the UTAUT model accounted for 70% of the variance in usage intention, substantially greater than any other user acceptance models when tested on the same data.

1.8 Conceptual Framework

The conceptual framework depicts a relationship between performance expectancy (Usefulness), Effort expectancy (Convenience), Facilitating conditions (Reliability), and social influence and online lending platform system usage as moderated by behavior intention that is the attitude towards its usage.

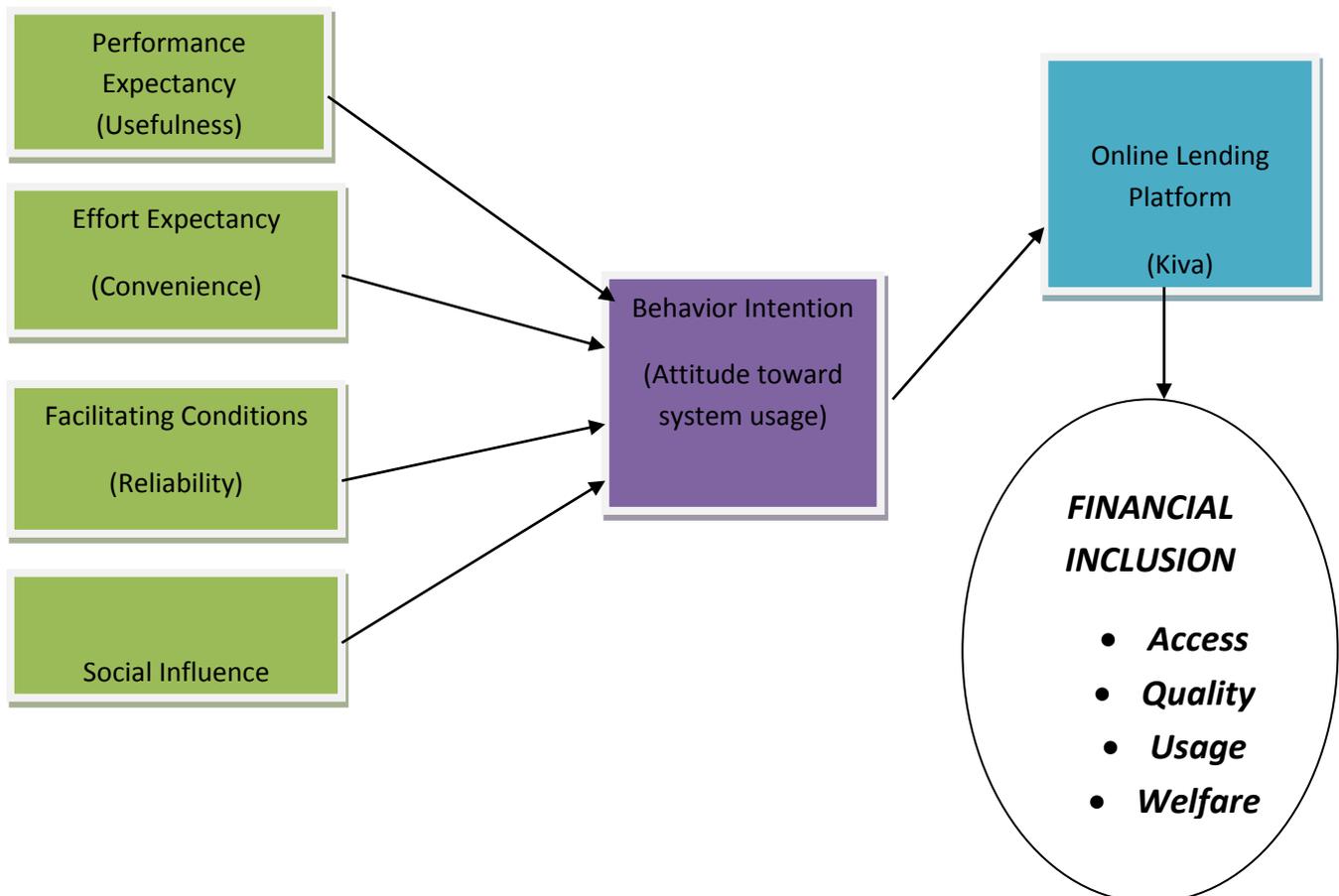


Fig. 2 Research model: Modified Venkatesh, Morris, Davis, & Davis 2003 (UTAUT Model)

1.9 Findings

The population was over 700. With the help of Krejcie & Morgan table (1970) a sample target of 250 was used but only 208 respondents were captured. The 42 respondents were negative towards responding to the questions. An overall response rate of 83% was achieved. Random Sampling was used and both qualitative and quantitative methods of data collection were used. The 32% of the respondents were between the ages of 26-30 meaning that they are mostly youth using. It was also

found that 53.4% were male and 46% were female which showed a relatively balanced representation of both male and female respondents.

Table 1: TYPE OF BUSINESS

WHAT TYPE OF BUSINESS DO YOU DO

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	4	1.9	1.9	1.9
ARTIST	1	.5	.5	2.4
BAR	10	4.8	4.8	7.2
BODABODA	6	2.9	2.9	10.1
BUTCHER	1	.5	.5	10.6
CIVIL SERVANT	6	2.9	2.9	13.5
CLEANER	1	.5	.5	13.9
CLINIC	6	2.9	2.9	16.8
COBBLER	1	.5	.5	17.3
DIARY FARM	6	2.9	2.9	20.2
DRIVER	16	7.7	7.7	27.9
EMPLOYED	15	7.2	7.2	35.1
FARMER	8	3.8	3.8	38.9
MARKET VENDER	11	5.3	5.3	44.2
MECHANIC	4	1.9	1.9	46.2
PLUMBER	1	.5	.5	46.6
POULTRY	12	5.8	5.8	52.4
RENTAL BUSINESS	3	1.4	1.4	53.8
RESTAURANT	8	3.8	3.8	57.7
SALOON	20	9.6	9.6	67.3
SCHOOL	4	1.9	1.9	69.2
SECURITY	1	.5	.5	69.7
SHOP	53	25.5	25.5	95.2
TAILOR	3	1.4	1.4	96.6
TEACHER	7	3.4	3.4	100.0
Total	208	100.0	100.0	

It was found that majority of the respondents (25.5%) were in the shop business which included but not limited to retail, wholesale, kiosks among others.

Despite majority of the respondents having a relatively low education level (certificate and secondary level) they got the information about Kiva the online lending platform from other sources like friends, MFIs, internet, press amongst others

Table 2: HOW DID YOU LEARN ABOUT KIVA

	Frequency	Percent	Valid Percent	Cumulative Percent

internet	52	25.0	25.2	25.2
press	14	6.7	6.8	32.0
friends	83	39.9	40.3	72.3
microfinance institution	57	27.4	27.7	100.0
Total	206	99.0	100.0	
System	2	1.0		
Total	208	100.0		

50% of the respondents chose Kiva as an online lending platform because of its affordability and 24% because of its accessibility. It was found that businesses that existed for a shorter period (ie < 1year and 1-3 years, 3-5 years) borrowed more times than those that had been in business longer (over 10 years). This is an indication that those that had existed for a longer period had probably become more financially stable and could have also been able to access other sources of financing.

Table 3: HOW LONG HAS YOUR BUSINESS BEEN IN EXISTENCE * HOW MANY TIMES HAVE YOU BORROWED FROM KIVA Cross tabulation

Count

		HOW MANY TIMES HAVE YOU BORROWED FROM KIVA				Total
		1-5 times	6-10 times	11-15 times	16-20 times	
		HOW LONG HAS YOUR BUSINESS BEEN IN EXISTENCE	<1year	20	2	
	1-3years	51	8	0	1	60
	3-5years	43	14	2	0	59
	5-10years	20	5	4	0	29
	10+	2	0	1	0	3

Table 4: Correlations

Pearson's Correlations

	Performance expectancy	Effort expectancy	facilitating conditions (reliability)	Social influence	Behavior intention
Performance expectancy	1				
Effort expectancy	-.163*	1			
facilitating conditions (reliability)			1		
Social influence				1	
Behavior intention					1

conditions (reliability)	.019 208	.000 208			
Social influence N	-.173 .012 208	.218** .002 208	.218** .002 208	1 208	
Behavior intention	-.118 .088 208	.039 .575 208	.039 .575 208	.420** .000 208	1 208

*. Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

A relationship was run between independent variables (Performance Expectancy, Effort expectancy, Facilitating conditions and social influence) and the dependent variable (behavior intention) there was a positive significant relationship between social influence and behavioral intention at .420*** which means that most of the respondents were influenced by society (friends) to use Kiva the online lending platforms as a source of financing their businesses. There was no relationship between Performance expectancy and behavior intention so this means that the usefulness of the technology is not as important when using Kiva at -.118

Regression

Coefficients

The highest predictor of variance in behavioral intention was social influence at .412. Social influence highly predicts the use of kiva amongst the borrowers in society.

Table 5: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	18.674	1.030		18.135	.000
	Performance expectancy	-.102	.060	-.118	-1.712	.088
2	(Constant)	18.237	1.828		9.977	.000
	Performance expectancy	-.099	.060	-.115	-1.638	.103
	Effort expectancy	.018	.063	.020	.289	.773
3	(Constant)	12.823	1.868		6.866	.000
	Performance expectancy	-.048	.056	-.055	-.852	.395
	Effort expectancy	-.056	.059	-.062	-.951	.343
	Social influence	.365	.056	.424	6.466	.000

a. Dependent Variable: Behavior intention

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.118 ^a	.014	.009	2.06846
2	.120 ^b	.014	.005	2.07308

3	.427 ^c	.182	.170	1.89317
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a. Predictors: (Constant), Performance expectancy

b. Predictors: (Constant), Performance expectancy, Effort expectancy

c. Predictors: (Constant), Performance expectancy, Effort expectancy, Social influence

Regression analysis predicts the variance of the intention to use the Kiva online lending platform by the borrowers. Adjusted R Square was measured at 17%.

2.0 Conclusion

There is a significant relationship between Performance Expectancy, Effort Expectancy, Social Influence, Facilitating Conditions and Behavior Intention. Social Influence had the highest influence on usage of the Kiva online lending platform for business financing.

From the study we are able to conclude that kiva promotes financial inclusion through its financial intermediation mechanism. A large number of people continue to be financially excluded yet access to finance is an important developmental factor. Microfinance institutions are continuing to develop though the challenges with them are also numerous. This has resulted into a need for alternative models of financial inclusion. Indeed various models have been started either by governments or NGOs or individuals and the primary objective is to increase financial inclusion. Kiva established by Mr & Mrs Flannery is one such alternative. From the study we were able to come to the following conclusions; Kiva is a financial intermediary that operates in a unique manner, it collects money from different individuals and organisations to who its does not pay interest and avails it to field agents in form of MFIs for onwards lending to borrowers. Kiva is thus a financial intermediary with a unique mode of operation. It was also established that Kiva is an agent of financial intermediation because it seeks funds from lenders and avails them to borrowers but through an agent. Kiva therefore is a model that promotes financial inclusion..

3.0 Limitations of the study

.As a case study, the findings tend to suffer from the validity issues. Kiva operates in 60 countries. To be able to ascertain whether it is a good model of inclusion, there is need to study Kiva's activities in other countries. Besides more deductive studies need to be done. In terms of the financial intermediation model, there is need to study further the concept of transaction costs in situations where the intermediary does not have to pay interest on funds lent.

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