

# Peer-to-Peer Microlending: Review of Zidisha.org

*“Give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime.”*  
— Maimonides

I love microlending. Here’s how it works: You give an entrepreneur in a developing country a loan for his business, e.g. to buy a water irrigation system for his field. This increases his productivity, with in turn increases his income. He repays the loan, and you recycle the money into the next project. This maximizes the impact of your funds, as you can re-lend the same dollar over and over again.

In 2007 I started lending on [Kiva](#) and have made over 100 loans there. I also [invited](#) 5 friends who made an additional 150 loans. (If you’d like to sign up, here is [my invitation link](#).)

Back in the day, the process was very manual, as there was no auto-relending function (now there is). Also, Kiva works with intermediaries, which increases the lending costs for borrowers.

Then in 2017, thanks to [a tweet by Paul Graham](#), I discovered [Zidisha](#). (Here is Paul’s [latest update](#).)

Zidisha says my \$304k donation has now funded \$684K worth of loans. So cool how the loan amount keeps increasing. <https://t.co/YBE9mtQfEE>

— Paul Graham (@paulg) [September 19, 2017](#)

The main differences between [Zidisha](#) and Kiva:

- No middleman: Zidisha is a direct person-to-person community with no intermediaries
- Lower cost: No middleman means lower interest rates for the borrowers (instead of the global average of 40%, to under 10%)
- Auto-relending: 100% automated process (Kiva now has [this feature](#) as well). Zidisha claims that \$50 in funds will fund \$750 worth of loan projects in five years.

- Impact accounts receive growth credits, so they grow

I have chosen an Impact Investment account with [Zidisha](#). That means that a portion of the 5% service fee paid by all Zidisha borrowers is credited as growth credits, so that the value of my funds grow over time. The downside is that I cannot withdraw any funds, which is not important to me.

So far I have uploaded \$1,024, which have funded \$1,993 worth of loans. I have received \$31.08 in growth credits, and have lost \$2.47 in currency exchanges losses. All of my loan losses have been refunded by the Zidisha Members Loan Fund, so I currently have 0% in repayment losses.

To date, Zidisha has lent [\\$16 million](#) to over 233,000 projects. In comparison, Kiva has made [\\$1.3 billion](#) worth of loans so far.

### **Key learnings from Zidisha:**

1. Log in every few months and use the “Receive Advance Repayment” link [on the projects page](#) for all loans that have substantial delays. You will receive a full refund for those loans. I was able to recover more than \$800 of late payments that way, which now should accelerate my lending cycle.
2. Make sure that the “Early Repayment” checkbox is activated in your [preferences](#). With that you will receive an early repayment from the Zidisha Members Loan Fund whenever one of my loans falls 60 days past due. It seems that this automates the “Receive Advance Repayment” mentioned above.
3. [Zidisha](#) has a great “refer-a-friend” program. Each friend gets a free \$25 credit which can be used for a first loan. Use [this link](#) to receive a free \$25 credit.

### **Suggestions for improvements:**

- I’d like to set a maximum limit per loan. E.g. 5% of total fund value. This would increase diversification and reduce my risk. I had one loan which made up more than 70% of my total lending value, which is not exactly my idea of risk management.
- I’d like to set a minimum value for “on-time repayments”, e.g. 90%. I just saw that a new loan has been made to someone with just 32% on-time repayments. I don’t feel comfortable with such borrowers.

Despite these shortcomings I can fully recommend [Zidisha](#). The customer service has been great and the ability to refund delayed loans gives me peace of mind to never have substantial losses.

**[Sign up here and receive a free \\$25 credit!](#)**