



Memorandum

To: Ana María Cintrón, Director & Founder, Causa Local

From: Mario Marazzi-Santiago, Ph.D.

Date: August 8, 2020

Subject: Causa Local KIVA Impact Report

As requested, we have examined the data supplied by KIVA.org with respect to the 154 KIVA loans that have been disbursed in Puerto Rico since May 7, 2015 through June 12, 2020.¹ The production of these loans was facilitated by Causa Local, and as such represents Causa Local's most important initiative in terms of its impact on economic activity in Puerto Rico. This memorandum analyzes the total economic impact (direct + indirect) of the KIVA loans facilitated by Causa Local through the global crowd-lending platform KIVA.org.

I. Data and Method

KIVA.org supplied a list of the loans with information on the applicants and their businesses. In order to know how the loan money was used, we obtained the "What is the purpose of this loan?" field from the online Kiva borrower profile. The answers were reviewed by a trained economist and used to calculate the loan amounts that were to be used in expenditures that represent legitimate investments that increase the productive capacity of each business in the following categories: (i) Construction, (ii) Machinery and equipment, (iii) Marketing/Web Design, (iv) Product customization, (v) Architectural design, (vi) Audiovisual production, and (vii) Magazine and print production.

The loan amount requested and the loan amount approved are not always the same. So, when necessary, the investment expenditure estimates were adjusted downwards to ensure their sum does not exceed the actual loan amount approved. In this process, we assumed that entrepreneurs would choose to dedicate their loan amount to the investments, instead of to other non-investment expenditures (i.e. salaries, rent, working capital, inventory, etc.).

We also assume that the investment expenditures were spent in the local economy, and we proceed to calculate the total economic (direct + indirect) impact of these additional expenditures in the Puerto Rico economy, using the official Interindustrial Production Multipliers, prepared by the Government of Puerto Rico.²

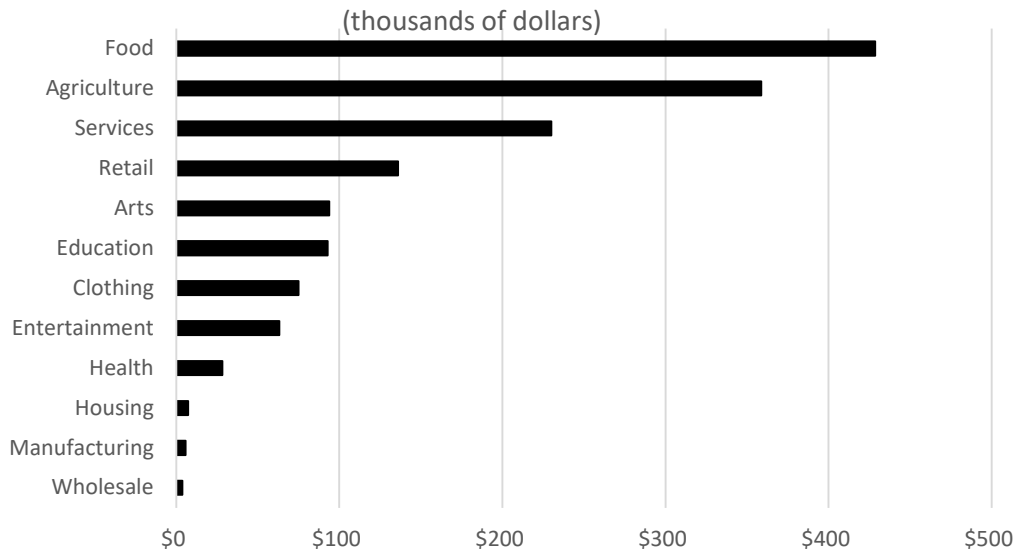
¹ This report does not include the 10 new KIVA loans that have been approved from June 13, 2020 to the present.

² See "Multiplicadores Interindustriales de Puerto Rico: Insumo y Producto 2007" of the Puerto Rico Planning Board (2019): <http://jp.pr.gov/LinkClick.aspx?fileticket=JbnCKD7BZ2s%3d&tabid=246&portalid=0&mid=2423>.

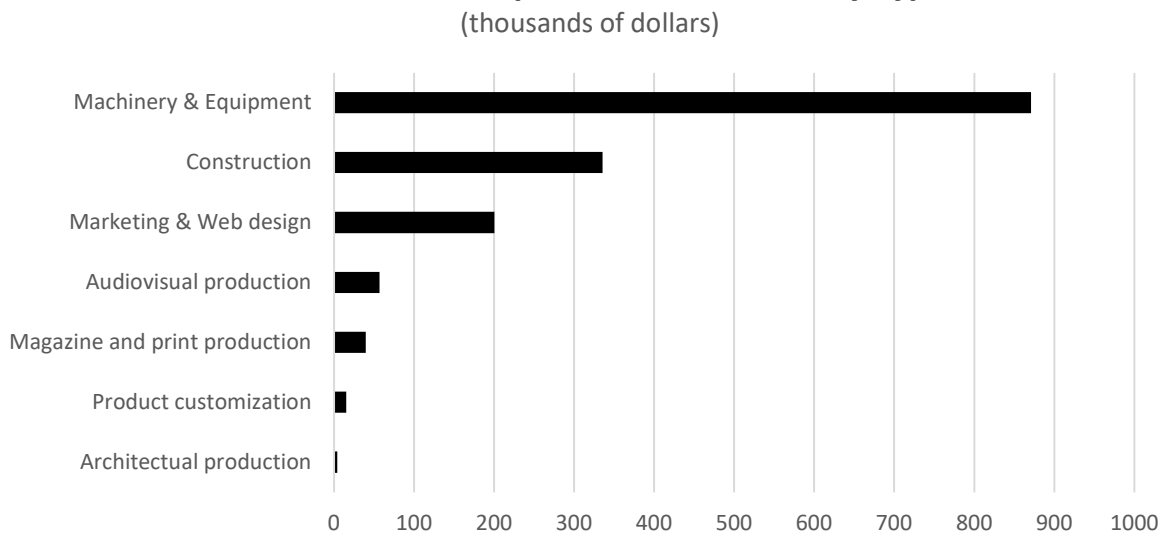
II. Results

- As of June 12, 2020, a grand total of \$996,000 of KIVA loans have been distributed in Puerto Rico, thanks to the efforts of Causa Local.
- Of this total, \$705,254 have been spent in actual investments that increase the productive capacity of the businesses.
- The total economic (direct + indirect) impact of these investments was \$1,523,466. The charts below disaggregate the total economic impact by sector and by type. The table presents further detail.

Total Economic Impact of Investments by Sector



Total Economic Impact of Investments by Type



Appendix Table: Causa Local KIVA Impact Report Summary Table

Sector	Loan amount	Of which used in actual investments	Total (direct + indirect) Economic Impact of investments							Total	
			Construction	Machinery & Equipment	Marketing & Web design	Product customization	Architectural production	Audiovisual production	Magazine & print production		
Agriculture	\$187,175	\$161,706	\$128,258	\$213,758	\$12,090	\$4,620	\$0	\$0	\$0	\$0	\$358,725
Arts	\$63,500	\$43,467	\$20,213	\$49,878	\$15,113	\$0	\$0	\$0	\$4,460	\$4,117	\$93,780
Clothing	\$46,000	\$35,700	\$7,350	\$32,376	\$35,263	\$0	\$0	\$0	\$0	\$0	\$74,989
Education	\$64,300	\$42,842	\$39,220	\$18,815	\$17,128	\$7,700	\$0	\$0	\$10,035	\$0	\$92,898
Entertainment	\$34,000	\$29,000	\$0	\$22,365	\$3,023	\$0	\$0	\$0	\$37,910	\$0	\$63,298
Food	\$261,000	\$198,638	\$70,666	\$310,408	\$41,435	\$3,080	\$3,045	\$0	\$0	\$0	\$428,635
Health	\$21,000	\$14,000	\$0	\$0	\$28,210	\$0	\$0	\$0	\$0	\$0	\$28,210
Housing	\$3,000	\$3,000	\$7,350	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,350
Manufacturing	\$2,500	\$2,500	\$3,185	\$2,556	\$0	\$0	\$0	\$0	\$0	\$0	\$5,741
Retail	\$151,025	\$64,109	\$8,575	\$97,430	\$28,949	\$0	\$1,015	\$0	\$0	\$0	\$135,969
Services	\$155,500	\$108,493	\$50,960	\$120,047	\$18,807	\$0	\$0	\$0	\$4,460	\$35,800	\$230,073
Wholesale	\$7,000	\$1,800	\$0	\$3,195	\$605	\$0	\$0	\$0	\$0	\$0	\$3,800
TOTAL	\$996,000	\$705,254	\$335,777	\$870,828	\$200,620	\$15,400	\$4,060	\$56,865	\$39,917	\$3,800	\$1,523,466