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CASE STUDY: THE RUSSIAN FEDERATION

FORUS: Taking Micro-financing to the next level

FORUS, a bank based in Nizhy Novgorod in the Russia Federation, was launched in 2000 as a nongovernmental organization with a grant from Opportunity International, a Christian NGO that supports micro-finance programs around the world. In 2005, FORA the NGO transformed into FORUS the bank. FORUS shows just how much micro-financing, over time, can generate hefty incomes and create economic momentum in previously poor communities.

FORA's vision was to eliminate poverty in the Russian Federation through enabling economically active people to have access to small loans to support their businesses. By providing financial services to people who were excluded from accessing commercial banks, FORA established opportunities for the poor (especially women) to take an active role in the Russian economy through entrepreneurship, income generation and social empowerment.

Economic growth in the Russia Federation was slow for nearly ten years after the fall of the Berlin Wall. Owing to regulatory and investment environments that discouraged small businesses, when the economy did take off in the Russian Federation, it was mainly fuelled by large conglomerates. Indeed, according to some surveys, less than 20 percent of Russia's work force is employed in small enterprises. Although there are more than 1,200 banks in the Russia Federation, micro- and small businesses often find it difficult to obtain affordable loans.

So to meet the needs of new entrepreneurs and to finance the expansions of successful small businesses, FORUS' capital continues to grow. Most of its loans support businesses in the retail and service sectors, and 82 percent of the bank's clients are women.

Initially, FORA made loans of between \$600 and \$700. Between 2000 and 2005 it made 115,000 loans worth \$132 million. These disbursements helped create 25,000 jobs. Yet as the businesses it supported grew, FORA recognized the need to expand its services to meet the demand for more and larger loans and more sophisticated financial services.

In July, 2005, FORUS became the first micro-finance organization to be awarded a commercial banking license. 'It's as if FORA passed the relay to the bank,' said Tatyana Yurina, the CEO of FORUS.

At the end of 2006, FORUS had 328 employees and 41 offices in 28 regions in the Russia Federation with net income over US\$1.7 million. It had a portfolio of over 16,500 loans with a total value of over US\$36 million with the average loan size being about US\$2,000. The bank calculates that in 2006 alone it helped create 4,258 jobs and helped sustain an additional 19,950 jobs. For 2007, the bank projects its loan portfolio to exceed \$60 million and net profits on those loans to be more than \$2 million.

At first glance, these figures may seem small for a bank. But giant international banks are taking notice. Recently HSBC and Société Générale made loans to FORUS so it could nurture more small businesses. As Yurina said: 'We believe it is important not only to increase the financial opportunities of our clients, but also to make the environment of small businesses more favorable.'