

Micro Loans Bringing Big Results

By [Anatoly Medetsky](#)

April 20, 2011

The  Moscow Times

Olga Simakova's husband thought of starting his own business after grocery stores that he helped run near Kazakhstan's border began to feel the pinch from expanding nationwide chains Magnit and Pyatyorochka.

Both Sberbank and Rosselkhozbank, which have offices in his town of Pallasovka in the Volgograd region, turned down his request for a loan to buy cattle and build a farm, Simakova said Wednesday. Talks with a local microfinancing company proved more fruitful.

Thanks to a series of loans it provided in 2006, Simakova was awarded on Wednesday with the Citi Foundation's best entrepreneur prize at a ceremony at the Public Chamber office, attended by government officials including Deputy Finance Minister Alexei Savatyugin.

This is a typical case of how micro credits — usually no more than 1 million rubles (\$35,000) for about a year — work in Russia as a way for thousands of people to gain employment and spur economic development. Micro loans are still relatively new in Russia, but demand is so high that the government put together a law to regulate the sector starting this year.

"We work with those who were rejected by banks," said Natalya Konobeyeva, chief financial officer at the company, named Fermer, or Farmer, which gave Simakova her startup capital. "There are no jobs in the villages. No incomes."

Simakova, who is the registered owner of the cattle business, said the large dairy plant and the meat processing plant in her town went bankrupt, leaving the segment open to smaller competitors. Her husband, Sergei, is the driving force behind the business but insisted on registering the company in her name as an incentive for her to start a new career after she completed successfully raising their three children, she said.

She handles the paperwork and visits the farm twice a month.

Taking out 1.65 million rubles in loans and investing their own savings, they bought land for growing feed, built a farm and purchased 57 calves. Their cattle now numbers 308, and the business provides work to 12 people, she said. They paid back the last loan in 2009.

The farm earned 3.1 million rubles last year, more than double the revenue of 2009, mostly by selling beef to schools and kindergartens under a contract with the district education committee, which they won in a tender. The rest goes to retailers at the local marketplace.

One of the reasons Simakova beat the other 80 contenders for the top prize was because she showed care for her employees by buying a bus to transport them to and from work, said one of the competition organizers, Olga Zharkova, an executive at the Russian Microfinance Center.

Fermer borrowed the money from Rosselkhozbank at 8 percent interest and charged 13 percent to Simakova — who used the property of her family friend's company as a collateral.

Yury Gertsy, chief of the Federal Labor and Employment Service, said at the ceremony that 70 percent of people who take advantage of the option to use a year's worth of unemployment benefits to start up a business do so in the farming sector.

Original url: <https://www.themoscowtimes.com/2011/04/20/micro-loans-bringing-big-results-a6487>