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Opportunity Bank thrives by thinking small

By Kester Eddy

Vladimir Vukotic

With just 0.3 per cent of total assets, Opportunity Bank is but a faint dot on the radar of the Serbian banking universe: it ranks 29th on the list of 31 banks, yet it has 2 per cent of all Serbian loan contracts, and 20 per cent of agricultural loans. Many of these are to the poor or unemployed in rural areas, sometimes even without collateral.

For most banks, lending to what on paper are such high-risk clients is out of the question. Yet the non-performing loans at Opportunity Bank come to 6.0 per cent at worst – the sector average is 20 per cent.

In another twist, bank policy is such that, if the choice is between offering five loans for €20,000 to hard-up small businesses in the sticks rather than one for €100,000 to a low-risk, well-capitalised operation in Belgrade needing short-term working capital, it chooses the former.

The bank's 215 staff conclude around 1,500 contracts a month – often driving 50 miles to do so – and typically for just €1,000-€2,000.

"That's about seven per employee per month. I think that's some kind of record for Serbia," says Vladimir Vukotic, executive president.

How does it all work?

Opportunity Bank's largest shareholder is Opportunity International, a US-based microfinance and savings institution based on Christian principles aiming to serve the poorer parts of the population.

"Our growth is based on trying to support small business, especially agro, and to help people who've suddenly become unemployed, after a lot of big, state companies went down," says Mr Vukotic.

Unlike most banks, which allocate huge resources to larger, big ticket clients, and tend to focus on Belgrade and Vojvodina province, the more developed parts of Serbia, 60 per cent of Opportunity Bank's lending portfolio is in central and southern Serbia.

"It's a different approach. At least 40 per cent of our customers are from 'underbanked' areas," he says.

The effort made to service clients is also different.

"If you ask a traditional bank whether travelling 40km to a client's home, talking for an hour, and driving back to the branch is a prudent proposition, they would say: 'no way' – especially for a loan of €500 or €1,000. The smallest loan at most banks is €3,000."

Yet, this approach means staff are better able to assess loan requests.

"They see the family, their living habits. Our way of working is not just score-based, a meeting in the office. It's this that enables us to have such a low delinquency rate," Mr Vukotic argues.

The loans are not cheap – interest rates for small loans in dinar are in the range of 25 per cent simply to cover the high costs – but the bank promises to work hard to ensure clients are able to meet monthly repayments.

And some municipalities have been working to provide interest payment support in order to help promote local employment.

Mr Vukotic cites the case of Dusan Djuric, a smallholder from near Knic, in central Serbia, who, with municipal support, has just taken out a 300,000 dinar (€2,630) loan with a 26 per cent interest rate to alleviate the effects of drought on his farm.

With a dedicated staff, and seeming unending need for microcredit in the provinces, Opportunity Bank's lending has grown by about 20 per cent each year for the last three years.

Does it make a profit?

"Last year we made 3 per cent return on equity; this year we're trying to reach over 5 per cent. We do a mission, and we'll do better than the average of the banking sector this year," says Mr Vukotic.

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