

Microfinance Ireland

Microenterprise Loan Fund Scheme for the period 1st October 2012 to 31th March 2015



An Roinn Post, Fiontar agus Nuálaíochta
Department of Jobs, Enterprise and Innovation



Oifig Fiontair Áitiúil 
Local Enterprise Office

This financing benefits from a guarantee issued under the 'European Progress
Microfinance Facility' established by the European Union.

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Overview of the Microenterprise Loan Fund Scheme

The Microenterprise Loan Fund, administered by Microfinance Ireland is part of the Government's Action Plan for Jobs and forms part of a suite of financial programmes provided through the Department of Jobs, Enterprise and Innovation to assist businesses in a range of sizes across all industry sectors.

The purpose of the Fund is to provide loans of €2,000 up to €25,000

From inception 01 October 2012 to 31st March 2015 Microfinance Ireland has:

- ✓ **€7.824M value of loans approved**
- ✓ **1,137 net jobs supported in 514 micro-enterprises**
- ✓ **1,083 applications received**
- ✓ **50% approval rate**

Borrowers who have benefited:

- ✓ Average Loan size of **€15.2K**
- ✓ **83%** approvals granted to businesses employing **3 people or fewer**
- ✓ **59%** of approvals granted to **start-ups** (in business for less than 18 months)
- ✓ **Wide geographic coverage:** 22% of loans granted to Dublin, 78% to the rest of Ireland

Successful applicants by sector:

| | |
|---|--|
| WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES (26%) | MANUFACTURING (15%) |
| ARTS, ENTERTAINMENT AND RECREATION (9%) | TRANSPORT (7%) |
| ADMINISTRATION AND SUPPORT SERVICE ACTIVITIES (7%) | INFORMATION AND COMMUNICATION (6%) |
| CONSTRUCTION (6%) | ACCOMMODATION & FOOD SERVICE ACT (5%) |
| OTHER SERVICES (5%) | PROFESSIONAL SERVICES (4%) |
| OTHER (3%) | HUMAN, HEALTH AND SOCIAL WORK (3%) |
| AGRICULTURE, FORESTRY & FISHING (2%) | EDUCATION (2%) |

Assessing applications efficiently:

- ✓ **1,024** applications processed
- ✓ **59** applications in progress at reporting date
- ✓ Endeavour to process complete applications within 10 days

Activity Levels covering period 1st October 2012 to 31st March 2015

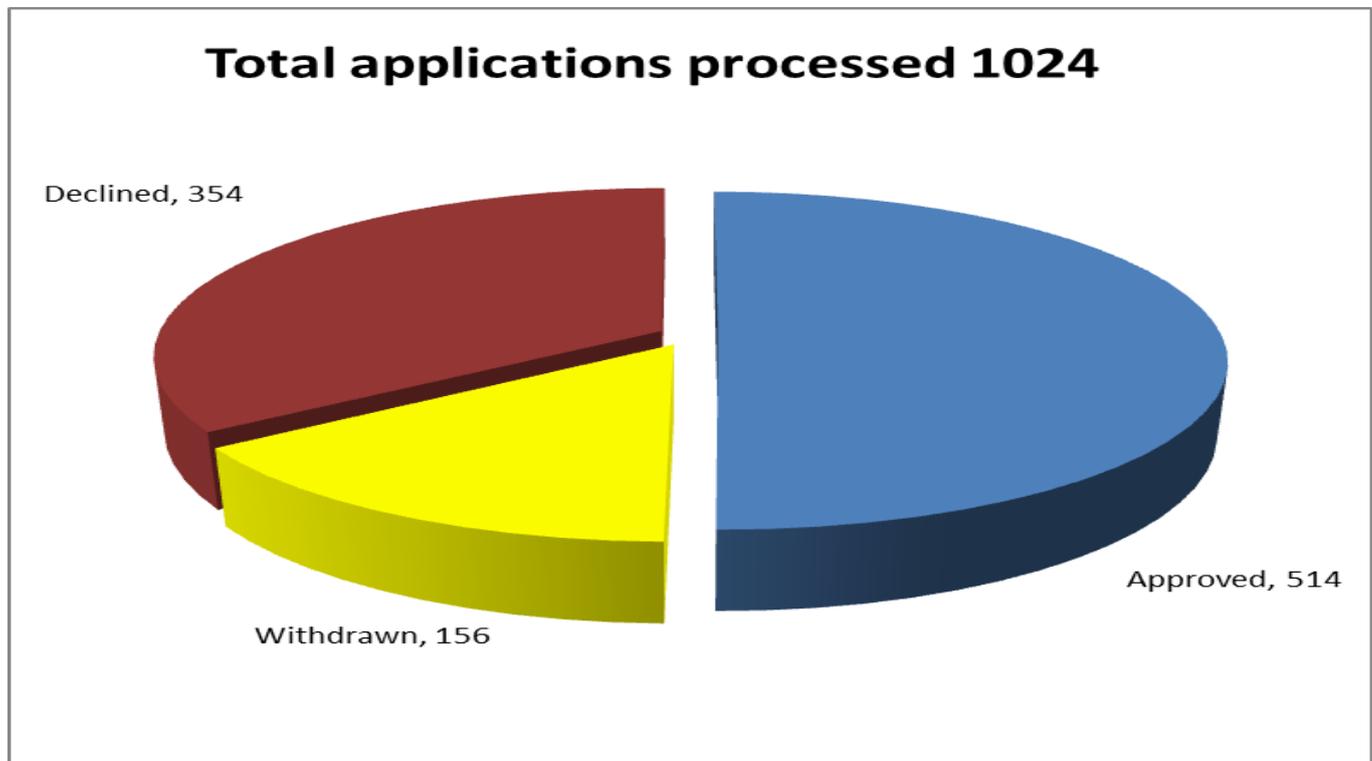
As at 31th March 2015, 514 micro-enterprise applications have been supported resulting in loans totalling €7.824M being approved through the Microenterprise Loan Fund Scheme. This represents an approval rate of 50%* of applications processed.

In total 1,083 applications have been received of which 1,024 have been processed. Of these 514 have been approved and 510 have been declined or applications withdrawn/deferred. Work-in –progress accounted for 59 applications.

Net impact on Jobs

Microfinance Ireland is supporting a total of 1,137 full-time equivalent jobs (net). This relates to 487 businesses, with 27 businesses supported having failed (none in Quarter 1 2015). The jobs total of 1,137 includes two adjustments which it is intended will be made on an annual basis going forward - an additional 140 jobs reported as a result of the MFI annual customer survey carried out in Dec 2014/Jan 2015 and a reduction of 86 jobs in relation to projects that were approved where the promoter did not take up the loan facilities.

See also commentary re Business Failures page 9.



*Calculation of the Approval Rate has been redefined as Number of Approvals divided by the Number of Approvals plus Declines plus Withdrawals/Deferred application. Previously the denominator was Approvals plus Declines only. The effect is to reduce the rate from 59% to 50%.

Applications by Quarter/Approvals by Quarter*

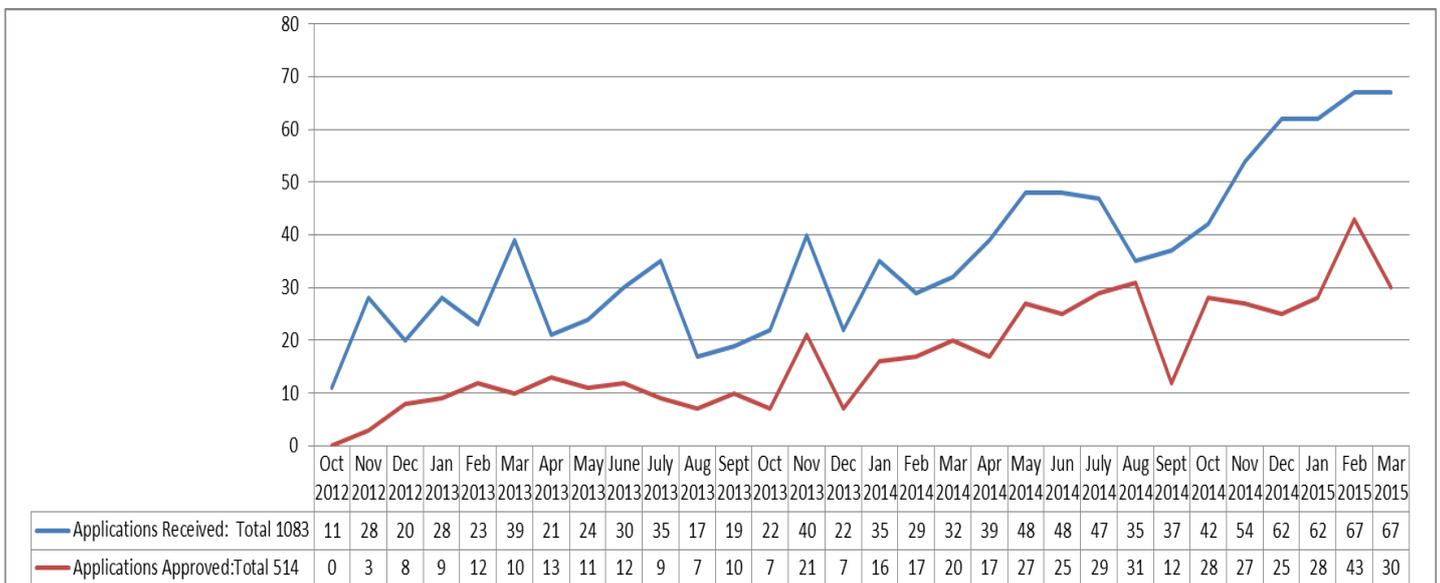
| Total Applications Received | | | | | | | | | | | | | | | | | | | | |
|-----------------------------|--|--|---|---|---|--|---|---|---|---|-----|---------|-----|---------|-----|---------|-----|---------|-------------|----------------|
| | Launch Phase (1 st Oct 2012 to 31 st March 2013) | Q2 2013 (1 st April 2013 to 30 th June 2013) | Q3 2013 (1 st July 2013 to 30 th Sept 2013) | Q4 2013 (1 st Oct 2013 to 31 st Dec 2013) | Q1 2014 (1 st Jan 2014 to 31 st March 2014) | Q2 2014 (1 st April 2014 to 30 th June 2014) | Q3 2014 (1 st July 2014 to 30 th Sept 2014) | Q4 2014 (1 st Oct 2014 to 31 st Dec 2014) | Q1 2015 (1 st Jan 2015 to 31 st Mar 2015) | Total (1 st October 2012 to 31 st Mar 2015) | | | | | | | | | | |
| Total Applications | 149 | €2.784M | 75 | €1.297M | 71 | €1.288M | 84 | €1.374M | 96 | €1.642M | 135 | €2.368M | 119 | €1.852M | 158 | €2.589M | 196 | €3.252M | 1083 | 18.442M |

| Total Applications Processed to Final Conclusion | | | | | | | | | | |
|--|---|--|--|---|--|---|---|---|---|---|
| | Launch Phase (1 st October 2012 to 31 st March) | Q2 2013 (1 st April 2013 to 30 th June 2013) | Q3 2013 (1 st July 2013 to 30 th September 2013) | Q4 2013 (1 st October 2013 to 31 st December) | Q1 2014 (1 st January 2014 to 31 st March) | Q2 2014 (1 st January 2014 to 30 th June) | Q3 2014 (1 st July 2014 to 30 th Sept 2014) | Q4 2014 (1 st Oct 2014 to 31 st Dec 2014) | Q1 2015 (1 st Jan 2015 2014 to 31 st Mar) | Total (1 st October 2012 to 31 st Mar 2015) |
| Applications Processed | 113 | 88 | 76 | 71 | 91 | 127 | 118 | 147 | 193 | 1024 |
| Approved | 43 | 35 | 26 | 35 | 53 | 69 | 72 | 80 | 101 | 514 |
| Approval Rate | 38% | 40% | 34% | 49% | 58% | 64% | 73% | 54% | 52% | 50% |
| Approved (€'000) | 700 | 543 | 347 | 569 | 863 | 1119 | 996 | 1181 | 1506 | 7,824 |

*Calculation of the Approval Rate has been redefined as Number of Approvals divided by the Number of Approvals plus Declines plus Withdrawals/Deferred application. Previously the denominator was Approvals plus Declines only. The effect is to reduce the rate from 59% to 50%.

Monthly Growth Trend

Application and approval activity levels by month are displayed in the graph below:



Size of Borrower

Loans were approved to micro-enterprises with the following number of employees at time of application:

| No. of Employees | Launch Phase (1 st October 2012 to 31 st March) | No. of Micro-enterprises | | | | | | | | | Total (1 st October 2012 to 31 st Mar 2015) |
|---------------------------------|---|--|--|---|--|---|---|---|---|-----|---|
| | | Q2 2013 (1 st April 2013 to 30 th June 2013) | Q3 2013 (1 st July 2013 to 30 th September 2013) | Q4 2013 (1 st October 2013 to 31 st December) | Q1 2014 (1 st January 2014 to 31 st March) | Q2 2014 (1 st March 2014 to 30 th June) | Q3 2014 (1 st July 2014 to 30 th Sept 2014) | Q4 2014 (1 st Oct 2014 to 31 st Dec 2014) | Q1 2015 (1 st Jan 2015 2014 to 31 st Mar) | | |
| 1 | 11 | 17 | 19 | 13 | 25 | 35 | 40 | 41 | 60 | 261 | |
| 2-3 | 22 | 13 | 5 | 16 | 19 | 21 | 20 | 26 | 28 | 170 | |
| 4-5 | 9 | 3 | 1 | 3 | 3 | 7 | 7 | 5 | 9 | 47 | |
| 6-9 | 2 | 3 | 2 | 3 | 6 | 6 | 5 | 8 | 4 | 39 | |
| Prior period adj | -1 | -1 | -1 | 0 | 0 | | | | | -3 | |
| Total No. of Loans | 43 | 35 | 26 | 35 | 53 | 69 | 72 | 80 | 101 | 514 | |
| Average No. of Jobs per Loan | 2.6 | 2.1 | 1.5 | 2.5 | 2.5 | 2.3 | 2.1 | 1.9 | 2.0 | 2.2 | |

Activity by Loan Size

From 1st October 2012 to 31th March 2015, loans were granted in the following size range.

| Euro | No. of Loans |
|---------------------------------|-----------------|
| ≤25k | 175 |
| ≤20k | 62 |
| ≤15k | 76 |
| ≤10k | 106 |
| ≤5k | 95 |
| Total | 514 |
| Average loan size €15.2K | |

Purpose for which Microfinance Loans were granted

Loans were granted for the following purposes:

- Working Capital
- Fit-out of Premises
- Purchase of Equipment
- Information & Communications Technology
- Promotion and Marketing

Source of Loan Referrals:**Local Enterprise Offices (formerly County and City Enterprise Boards)**

Microfinance Ireland's main referral partners are the Local Enterprise Offices (LEOs). To date, 490 of our loan applications were received from the LEOs accounting for 45% of all of our applications. The LEOs also support MFI applicants with their application, relevant business training and both pre and post loan mentoring assistance.

Direct Applications

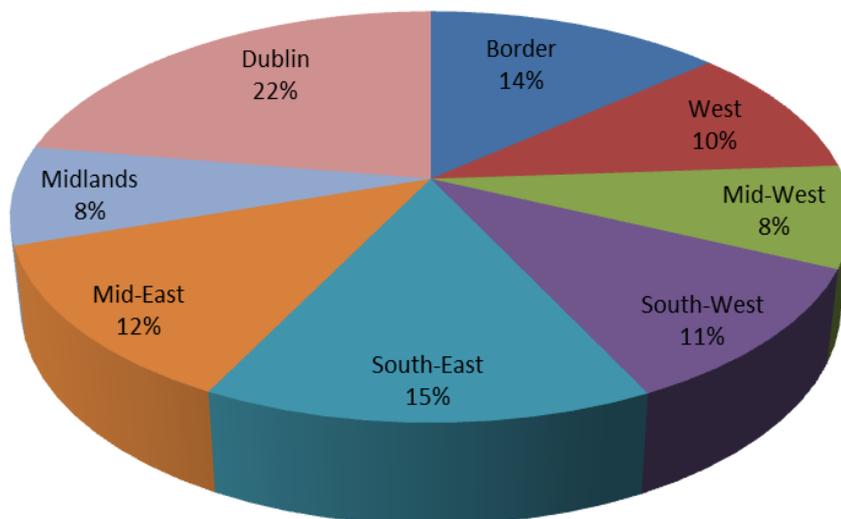
While the LEOs remain our primary referral partners there has been a steady flow of applications direct from enterprises, both existing and new businesses, seeking credit. In the period from inception Microfinance Ireland has received 593 applications directly which equates to 55% of all applications.

Analysis of Approvals

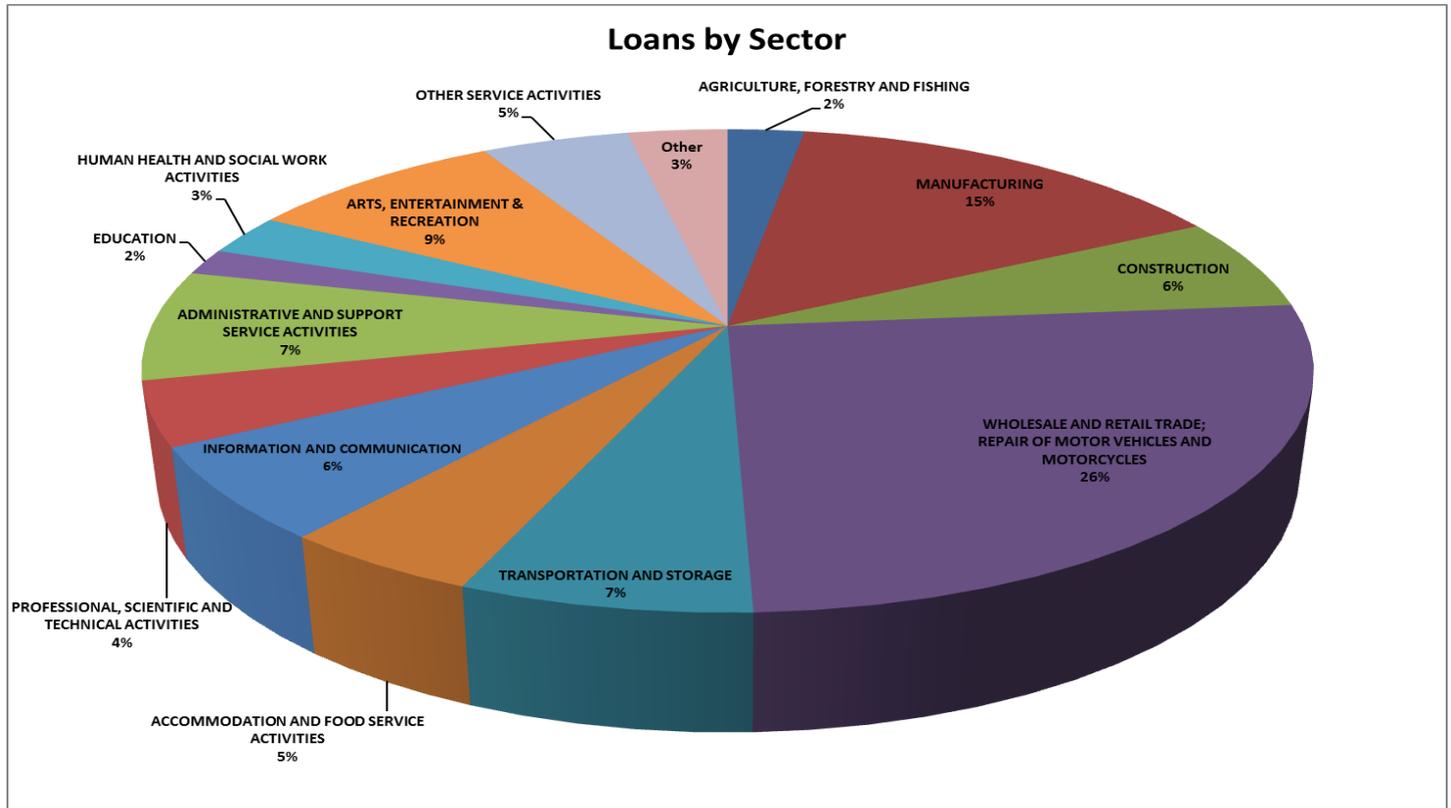
Geographical Spread – from 1st October 2012 to 31st March 2015

| Geographical Spread | | | | | |
|-------------------------------------|----------|----------|-----------|-------------|----------|
| County | Received | Approved | County | Received | Approved |
| Dublin | 254 | 115 | Waterford | 32 | 18 |
| Cork | 101 | 41 | Louth | 29 | 9 |
| Limerick | 53 | 25 | Westmeath | 29 | 14 |
| Meath | 53 | 24 | Clare | 28 | 16 |
| Tipperary | 43 | 18 | Laois | 27 | 13 |
| Wexford | 42 | 18 | Roscommon | 24 | 13 |
| Wicklow | 40 | 23 | Sligo | 22 | 15 |
| Galway | 39 | 19 | Carlow | 21 | 13 |
| Kildare | 38 | 17 | Donegal | 19 | 11 |
| Cavan | 34 | 19 | Kilkenny | 19 | 8 |
| Mayo | 30 | 21 | Longford | 17 | 6 |
| Monaghan | 30 | 12 | Leitrim | 17 | 4 |
| Kerry | 30 | 15 | Offaly | 12 | 7 |
| Total Applications Received: | | | | 1083 | |
| Total Applications Approved: | | | | 514 | |

Approved Loans By Regions



Activity by Sector



Start-Up/Existing

Of the 514 loans approved, 302 were to start-up enterprises (<18 months) and 212 to existing enterprises.

Appeals Process

The purpose of the Microfinance Ireland appeals process is to support an applicant who wishes to have a review of an MFI decision to decline a loan application.

MFI will appoint an Appeal Assessor to carry out an independent review of the original loan decision. The assessor who was involved in the original decision will not be involved in the appeals process. The outcome of this review is communicated in writing to the applicant within 15 business days of receipt of the written appeal. The credit decision of the Appeal Assessor is independent of MFI management and is final.

There have been 65 appeals from inception to 31st March 2015 and 13 of these cases have been approved on appeal (20%). These figures are included in the overall approval figures.

Activity by Borrower Type

- 204 microfinance loans were granted to Private Limited Companies
- 283 Sole Traders were granted a microfinance loan
- 27 Microfinance loans were granted to Partnerships

Gender Breakdown

Of the total applications received 76% (825) were from male promoters and 24% (258) from female promoters. Of the loans approved as at 31st March 2015, 74% (381) were to male promoters while 26% (133) were to female promoters.

There were 11 loans approved to young entrepreneurs comprising almost 2% of all the applications approved to date.

| Approved Applications | Volume | Value |
|---------------------------------|--------|---------|
| Total Approved | 514 | €7.824M |
| Start-Up (<18 months) | 302 | |
| Existing | 212 | |
| No. of Ltd. Co. | 204 | |
| No. of Sole Traders | 283 | |
| No. of Partnerships | 27 | |
| Female | 133 | |
| Male | 381 | |
| Youth (18-25 years old) | 11 | |

Business Failures

Up to end March 2015, 27 businesses of the 514 supported have failed. While any business failure is regrettable, it was anticipated from the outset that a not insignificant proportion of projects supported by the Microfinance Ireland might fail. It is a feature of microfinance (given the higher risk profile) that even with strong business supports, failures will occur.

On an ongoing basis, Microfinance Ireland, in conjunction with other agencies, works with every customer at risk to minimise risk of failure.