

Microfinance Ireland

Report on The Microenterprise Loan Fund Scheme as at 30th June 2017



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' and the 'Employment and Social Innovation Guarantee 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 was established as part of the Government's Action Plan for Jobs and forms part of a suite of financial programs provided through the Department of Jobs, Enterprise and Innovation to assist businesses of different sizes and at different stages of development across all industry sectors.

The purpose of the Fund is to provide loans of €2,000 up to €25,000 to Micro-enterprises (Microenterprises are defined as businesses with less than 10 employees and /or Turnover <€2m) who cannot obtain funding through traditional sources.

Fund Performance Summary: 1st October 2012 to 30th June 2017

As at end June 2017, Microfinance Ireland has been in business for nearly five years. In this time, it has delivered the following key results:

- ✓ **2,966 Applications received**
- ✓ **€19.6M Value of loans approved**
- ✓ **3,145 Net jobs supported in 1,345 micro-enterprises**
- ✓ **46% Approval rate**
- ✓ **€16.6M Value of loans drawn**
- ✓ **1,172 Loans drawn**
- ✓ **Average Loan size of €15K**
- ✓ **82% approvals granted to businesses employing 3 people or fewer**
- ✓ **56% 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 (23%)	MANUFACTURING (12%)
ARTS, ENTERTAINMENT AND RECREATION (8%)	CONSTRUCTION (8%)
ACCOMMODATION & FOOD SERVICE ACTIVITIES (7%)	ADMINISTRATION & SUPPORT SER. ACTIVITIES (6%)
INFORMATION AND COMMUNICATION (6%)	TRANSPORT/STORAGE (6%)
PROFESSIONAL, SCIENTIFIC & TECH ACTIVITIES (6%)	OTHER SERVICES (6%)
AGRICULTURE, FORESTRY & FISHING (4%)	EDUCATION (3%)
HUMAN, HEALTH AND SOCIAL WORK (3%)	OTHER (2%)

Assessing applications efficiently:

- ✓ **2,917 Applications processed to full assessment**
- ✓ **49 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and Performance of the Fund during Quarter 2 2017

MFI continued to focus on advertising, promotion and engagement during Q2 2017 across a broad range of marketing activities.

A significant milestone for the business during the quarter was being awarded the European Code of Good Conduct by the European Commission (EC), which is a certification of compliance with the European Code of Good Conduct for Microcredit Provision. The certification confirms Microfinance Ireland's position as a best-in-class micro credit provider in Europe, being one of the first four institutions in Europe to qualify and the only organisation in Ireland to receive this award.

A Press Release was issued in May 2017 to announce the award and which was also endorsed by the Minister for Small Business, Pat Breen T.D.

An article profiling Microfinance Ireland featured in the June edition of Business Plus magazine and was included in the magazine's online site. The CEO undertook an interview with the Business Editor of the Irish Times in late June along with the Chambers Ireland publication '*In Business*' both of which are due to be published in July.

MFI continued to focus on social media and driving more traffic to the website with steady progress being achieved during the quarter.

MFI staff attended a number of events during the quarter including the Acorns Forum for Female Entrepreneurs in Mullingar, Bizexpo in City West and LEO /DSP events in Cork and Meath.

MFI also continued to maintain strong relationships with all referral partners – the Local Enterprise Offices, the Local Development Companies and the Banks to ensure that a consistent flow of referrals/applications is continually maintained.

Key performance indicators for Quarter 2 in 2017:

- ✓ **231 Applications received**
- ✓ **€1.4M Value of loans approved**
- ✓ **96 Loans approved**
- ✓ **197 Net Jobs supported in 96 micro-enterprises**
- ✓ **42% Approval rate**
- ✓ **€1.2M Value of loans drawn**
- ✓ **91 loans drawn**
- ✓ **Average Loan size of €15K**
- ✓ **80% approvals granted to businesses employing 3 people or fewer**
- ✓ **54% of approvals granted to start-ups (in business for less than 18 months)**
- ✓ **Wide geographic coverage: 25% of loans granted to Dublin, 75% remainder of Ireland**

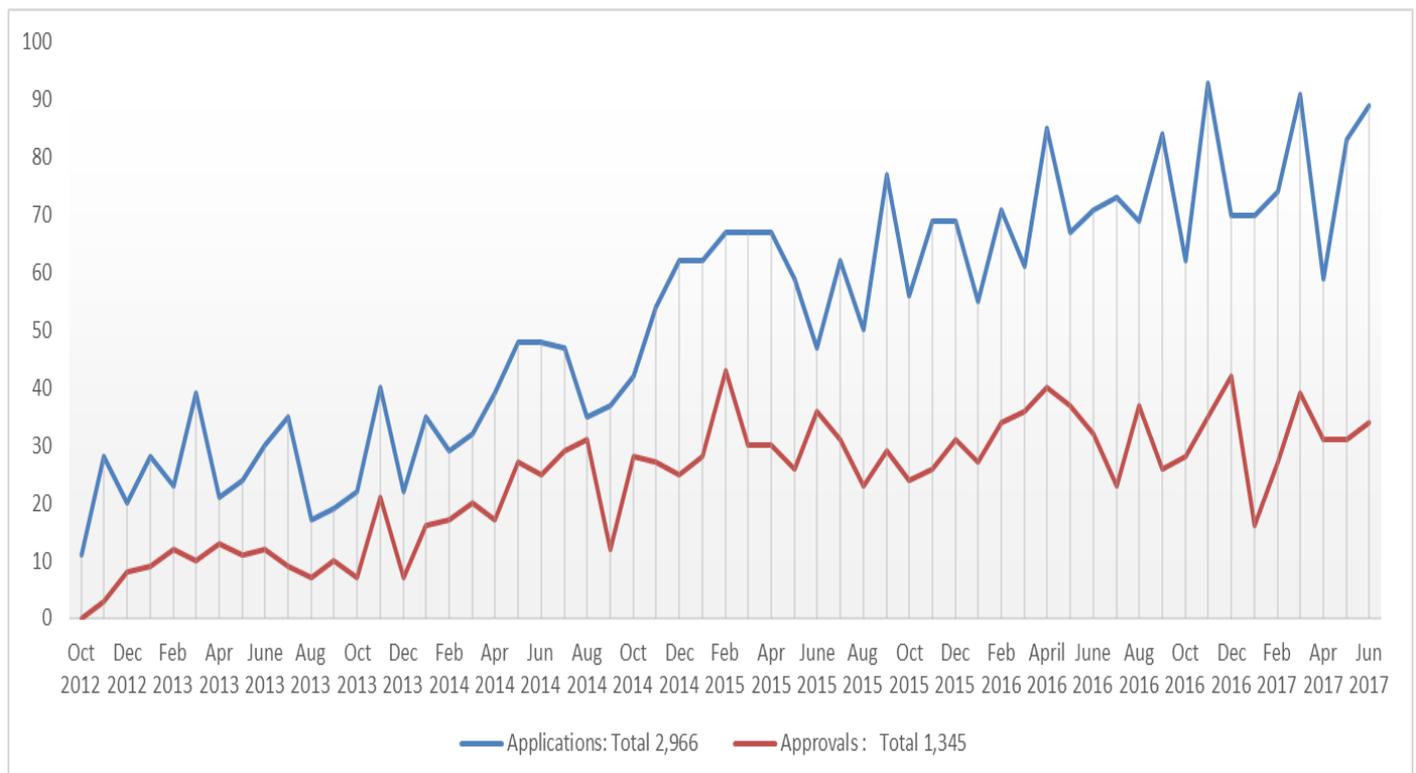
Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

Applications by Quarter

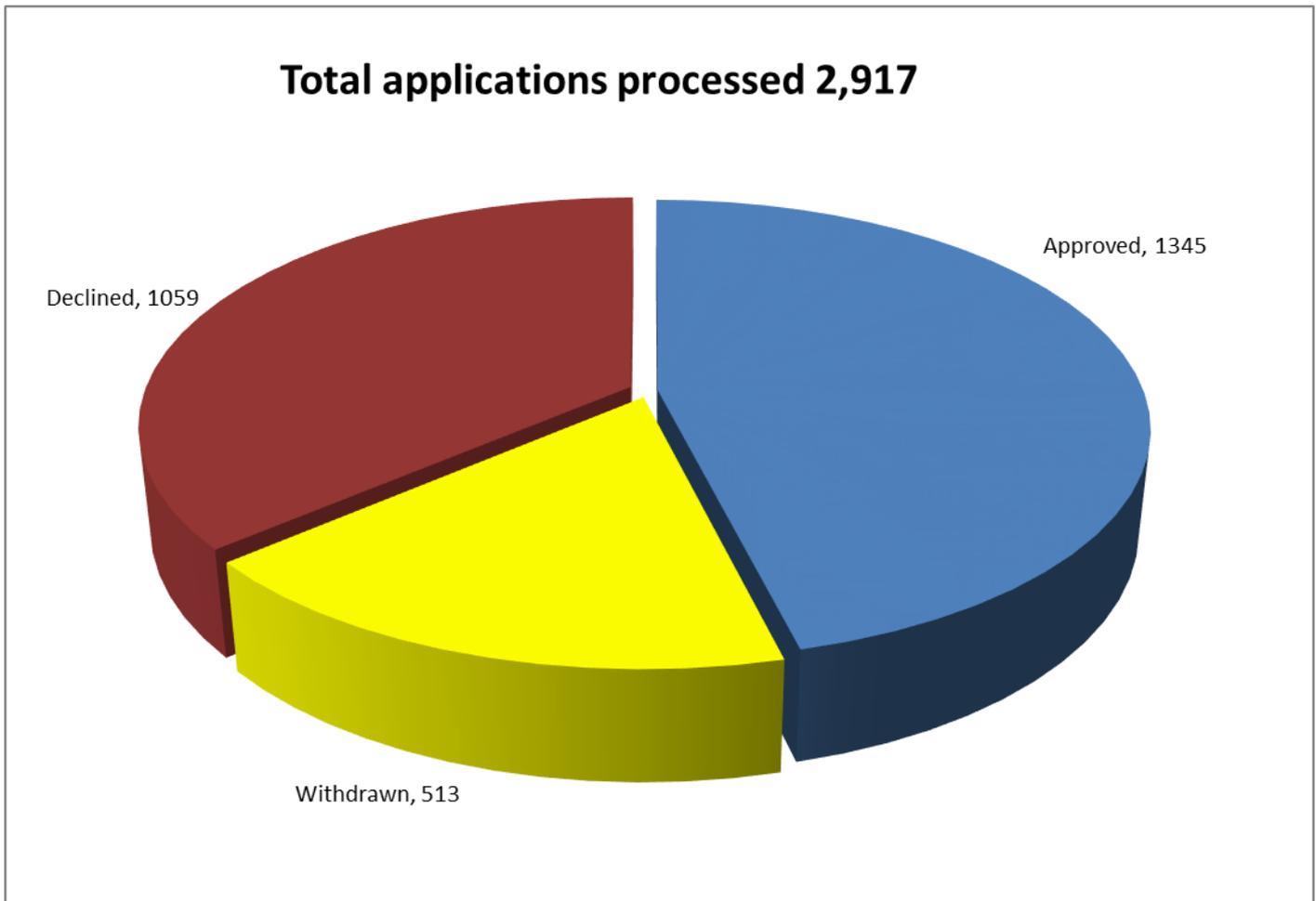
Total Applications Received																				
	2013		2014		2015		Q1 2016		Q2 2016		Q3 2016		Q4 2016		Q1 2017		Q2 2017		Total (1st October 2012 to 30th June 2017)	
Total Applications	379	€6.739M	508	€8.451	752	€12.317M	187	€2.965M	223	€3.579M	226	€3.719M	225	€3.304M	235	€3.450M	231	€3.514M	2,966	€48.038M
Total Applications Processed																				
	2013		2014		2015		Q1 2016		Q2 2016		Q3 2016		Q4 2016		Q1 2017		Q2 2017		Total (1st October 2012 to 30th June 2017)	
Applications Processed	348		483		743		201		215		237		249		211		230		2,917	
Approved	139		274		357		97		109		86		105		82		96		1,345	
Approval Rate	40%		57%		48%		48%		51%		36%		42%		39%		42%		46%	
Approved (€'000)	2,159		4,159		5,378		1,387		1,520		1,163		1,322		1,095		1,392		19,575	

Monthly Growth Trend

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



Applications Processed



Approvals by Size of Borrower

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

No. of Employees	Total Approvals Received									
	2013	2014	2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Total (1st October 2012 to 30th June 2017)
1	60	141	187	52	67	51	65	39	43	705
2-3	56	86	97	25	24	17	25	28	34	392
4-5	16	22	33	11	11	15	8	11	11	138
6-9	10	25	40	9	7	3	7	4	8	113
10										
Prior period adj	-3	0								-3
Total No. of Loans	139	274	357	97	109	86	105	82	96	1,345
Average No. of Jobs per Loan	2.6	2.2	2.4	1.9	1.7	1.6	2.2	1.7	2.1	2.3

Approvals by Loan Size

From 1st October 2012 to 30th June 2017, loans were granted in the following size range.

Euro	No. of Loans
≤25k	408
≤20k	145
≤15k	230
≤10k	260
≤5k	302
Total	1,345
Average loan size €14.6K	

Purpose for which Microfinance Loans were granted

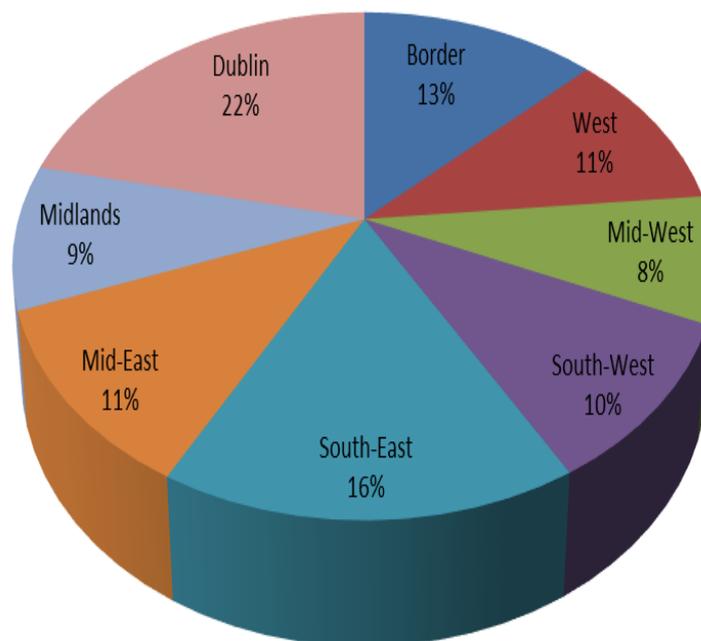
Loans were granted for the following purposes:

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

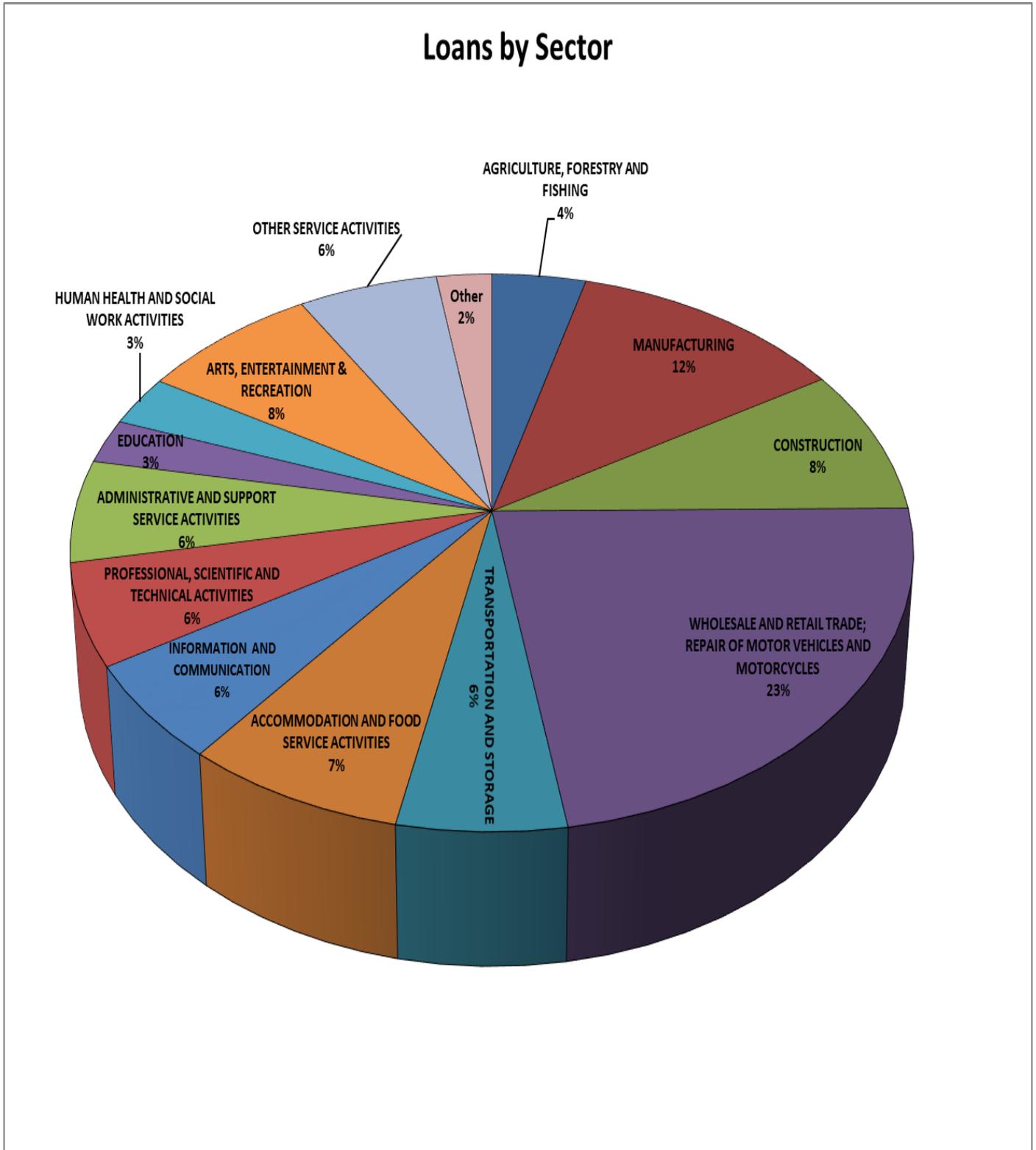
Geographical Analysis of Approval – from 1st October 2012 to 30th June 2017

Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	654	289	Louth	83	26
Cork	248	101	Mayo	82	48
Meath	149	59	Westmeath	81	37
Tipperary	138	61	Longford	72	33
Limerick	135	64	Laois	70	30
Galway	133	64	Roscommon	58	30
Wexford	116	63	Donegal	58	27
Waterford	109	44	Sligo	57	38
Kildare	105	51	Carlow	57	27
Wicklow	98	43	Offaly	54	24
Cavan	90	42	Monaghan	51	20
Kerry	87	36	Kilkenny	51	23
Clare	86	44	Leitrim	44	21
Total Applications Received: 2,966					
Total Applications Approved: 1,345					

Approved Loans By Regions



Approval by Business Sector



Demographical Analysis

Borrower's legal status

- 496 Microfinance loans were granted to Private Limited Companies
- 747 Sole Traders were granted a microfinance loan
- 102 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 1,345 loans approved, 757 were start-up enterprises (<18 months) and 588 to existing enterprises.

Gender Breakdown

Of the total applications received 75% (2232) were from male promoters and 25% (733) from female promoters. Of the loans approved as at 30th June 2017, 74% (997) were to male promoters while 26% (348) were to female promoters.

Youths

There were 31 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Numbers	Value €
Total Approved	1,345	19.575M
Start-Up (<18 months)	757	
Existing	588	
No. of Ltd. Co.	496	
No. of Sole Traders	747	
No. of Partnerships	102	
Female	348	
Male	997	
Youth (18-25 years old)	31	

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 169 appeals from inception to 30th June 2017 and 31 of these cases have been approved on appeal (18%). These figures are included in the overall approval figures.

Business Failures

Up to end June 2017, 148 businesses of the 1,172 loans approved and drawn 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 business failure.

Source of Loan Referrals

Local Enterprise Offices

Microfinance Ireland's main referral partners are the Local Enterprise Offices (LEOs). To date, 1,437 of our loan applications were received from the LEOs accounting for 48% of all of our applications. Of these applications received from the LEOs, 1,415 were fully processed by the 30th June 2017 resulting in 728 being approved giving an approval rate of 51%. The LEOs also support MFI applicants with their application, relevant business training and both pre and post loan mentoring assistance.

Direct Applications and Other Application Channels

While the LEOs remain our primary referral partners, there has been a strong flow of applications **direct** from enterprises and a growing stream via the Banks and ILDN, both by existing and new businesses. In the period from inception Microfinance Ireland has received 1,529 applications via these channels which equates to 52% of all applications. Of these applications, 1,502 were fully processed by the 30th June 2017 resulting in 617 being approved giving an approval rate of 41%.

The **bank channel**, consisting of Bank of Ireland, AIB & Ulster Bank, is referring growing numbers of introductions to Microfinance Ireland. In the current year to date, 256 introductions were received. These introductions resulted in 48 loan applications between the 3 banks. This relationship will be reviewed regularly in order to ensure a consistent flow of leads and applications from each Bank in the future.

MFI continues to work with the **Irish Local Development Network (ILDN)**, which deal with a large number of clients who are moving to self-employment and are on the Back to Work Enterprise Allowance (BTWEA). While volumes are relatively low, we continue to ensure all the Local Development Companies and Area Partnerships are fully aware of MFI's offering and how it can benefit their clients who may require funding for their business.