

Microfinance Ireland

Report on The Microenterprise Loan Fund Scheme as at 30th June 2018



An Roinn Gnó, Fiontar agus Nuálaíochta
Department of Business, Enterprise and Innovation



Oifig Fiontair Áitiúil 
Local Enterprise Office

Contents

Overview of the Microenterprise Loan Fund Scheme	2
Fund Performance Summary: 1st October 2012 to 30th June 2018.....	2
Performance in 2018.....	3
Promotion and Performance of the Fund during Qtr 2 2018	4
Microenterprise Loan Fund Scheme Analysis since inception (October 2012)	5
Applications by Quarter	5
Monthly Growth Trend	5
Applications Processed	6
Approvals by Size of Borrower.....	6
Approvals by Loan Size.....	7
Purpose for which Microfinance Loans were granted	7
Geographical Analysis of Approvals.....	8
Approval by Business Sector	9
Demographical Analysis	10
Appeals Process	11
Business Failures	11
Source of Loan Referrals	12

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 programmes provided through the Department of Business, 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 2018

As at end June 2018, Microfinance Ireland has been in business for almost six years. In this time, it has delivered the following key results:

- ✓ **3,975 Applications received**
- ✓ **€25.4M Value of loans approved**
- ✓ **4,277 Net jobs supported in 1,770 micro-enterprises**
- ✓ **45% Approval rate**
- ✓ **€21.5M Value of loans drawn**
- ✓ **1,534 Loans drawn**
- ✓ **Average Loan size of €14K**
- ✓ **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: 21% of loans granted to Dublin, 79% to the rest of Ireland**

Successful applicants by sector:

WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES (22%)	MANUFACTURING (11%)
CONSTRUCTION (9%)	ACCOMMODATION & FOOD SERVICE ACTIVITIES (9%)
ARTS, ENTERTAINMENT AND RECREATION (7%)	OTHER SERVICES (7%)
ADMINISTRATION & SUPPORT SER. ACTIVITIES (6%)	TRANSPORT/STORAGE (6%)
PROFESSIONAL, SCIENTIFIC & TECH ACTIVITIES (6%)	INFORMATION AND COMMUNICATION (5%)
AGRICULTURE, FORESTRY & FISHING (4%)	HUMAN, HEALTH AND SOCIAL WORK (4%)
EDUCATION (2%)	OTHER (2%)

Assessing applications efficiently:

- ✓ **3,935 Applications processed to full assessment**
- ✓ **40 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and Performance of the fund in Quarter 2 2018

The exceptionally strong performance in application numbers which achieved record levels in both the last quarter of 2017 and in quarter 1, 2018 has continued into quarter 2 2018. The quarter under report is the third strongest quarter in the history of the business.

This highlights the ongoing need for the provisions of financial supports by Microfinance Ireland for the very key microenterprise sector in Ireland.

This performance has been achieved due to the ongoing strong PR and marketing activities of the business and is set against a backdrop, on one hand, of suppressed credit demand in the country by micro-enterprises, thus reducing overall gross demand but, on the other hand, with reduced approval rates in the banking sector for micro-enterprises, increasing the need for MFI services to businesses unable to obtain finance through traditional commercial lenders.

Applications continue to be well spread geographically and by types of enterprises, with the majority continuing to be start-ups.

Quarter 2's performance:

- Application volumes for the quarter were very strong and compare very favourably with the same quarter in 2017, being 15% ahead in terms of the number of applications received and 11% ahead of 2017 in value terms.
- The credit quality of new applications continues to be challenging, reducing our percentage rate of approvals, but due to the strong application flow, actual approvals volumes are 11% ahead of 2017 in the number of loans approved and 9% ahead in value terms.
- Loans totalling €1.524M were approved in the quarter and through these approvals, 178 jobs were sustained or created.
- Actual loans drawn down in the quarter at €1.166M is 9% behind 2017's quarter 2's performance.
- The business continues to work through 4 main delivery channels for applications, consisting of 3 channel partners; The Local Enterprise Office Network, the Irish Local Development Network, the main commercial banks in Ireland and a direct channel.

The direct channel continues to grow strongly and is now the largest delivery channel, represents 59% of business volumes in the quarter.

Key performance indicators for Quarter 2 in 2018:

- | | | |
|---|---|--|
| ✓ | 266 | Applications received |
| ✓ | €1.5M | Value of loans approved |
| ✓ | 107 | Loans approved |
| ✓ | 178 | Net jobs supported in 107 micro-enterprises |
| ✓ | 38% | Approval rate |
| ✓ | €1.2M | Value of loans drawn |
| ✓ | 90 | Loans drawn |
| ✓ | Average Loan size of €14K | |
| ✓ | 84% 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: 20% of loans granted to Dublin, 80% to the rest of Ireland | |

Promotional Activities

MFI continued to focus on advertising and promotion across a broad range of marketing activities throughout the quarter.

There was a strong focus on both digital marketing and traditional advertising to communicate and engage with MFI's target market with strong progress achieved. A number of social media campaigns were delivered on Facebook along with a radio campaign which took place in May resulted in a high volume of direct applications during the quarter.

MFI believe that having a dedicated marketing team in place and marketing efforts across a wide range of media and channels has led to stronger brand awareness of MFI's proposition in the marketplace. Retaining this strong momentum while continuing to grow business volumes will be critical for success in the longer term.

While the number of direct applications continues to grow, we are still very reliant on our referral partners to ensure the maximum number of referrals and applications are submitted to MFI. Meetings were held with our partners during Q2, namely the LEOs, ILDN and AIB and BOI with the aim of keeping MFI top of their agenda and a consistent flow of referrals/applications from our referral partners.

Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

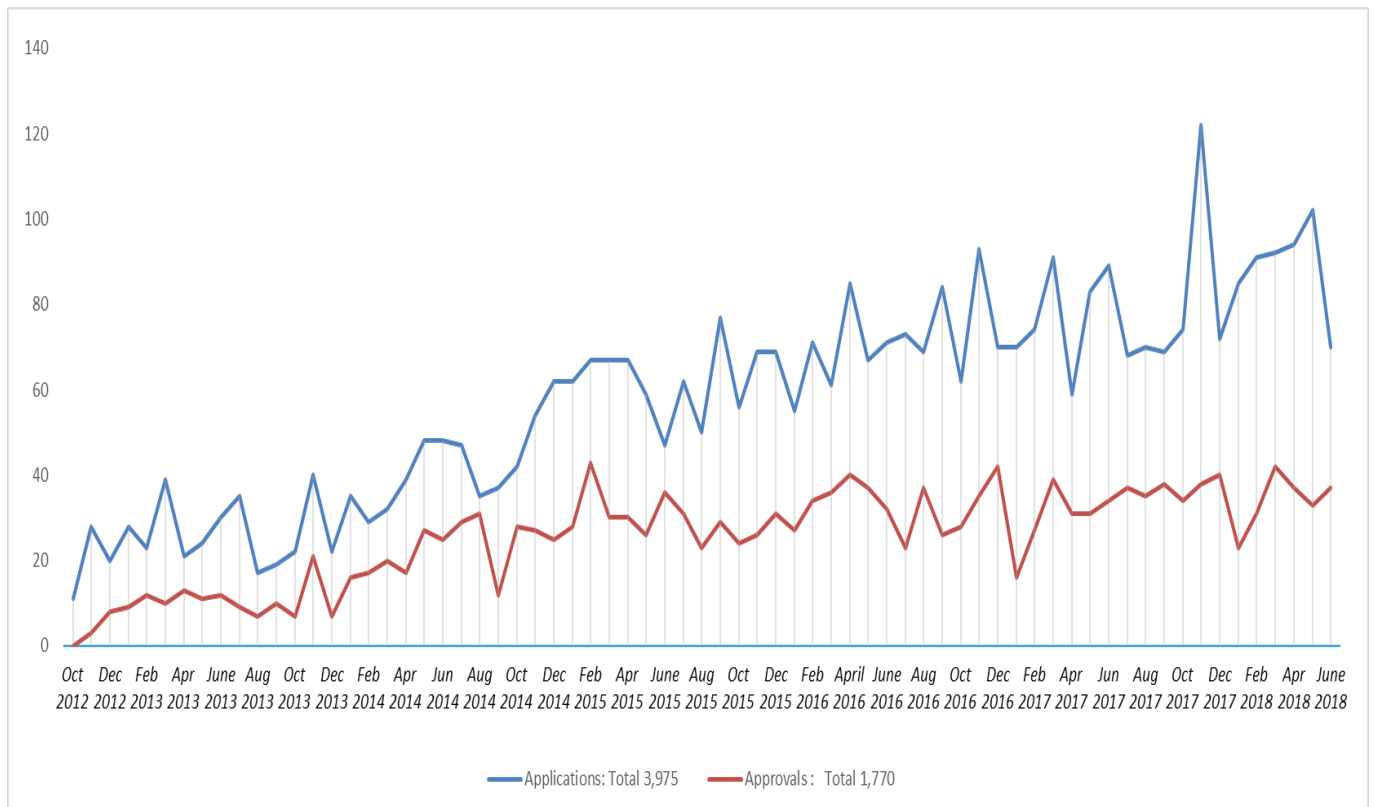
Applications by Quarter

Total Applications Received																						
	2013		2014		2015		2016		Q1 2017		Q2 2017		Q3 2017		Q4 2017		Q1 2018		Q2 2018		Total (1st October 2012 to 30th June 2018)	
Total Applications	379	€6.739M	508	€8.451	752	€12.317M	861	€13.567M	235	€3.450M	231	€3.514M	207	€2.849M	268	€4.093M	268	€4.108M	266	€3.894M	3,975	€62.982M

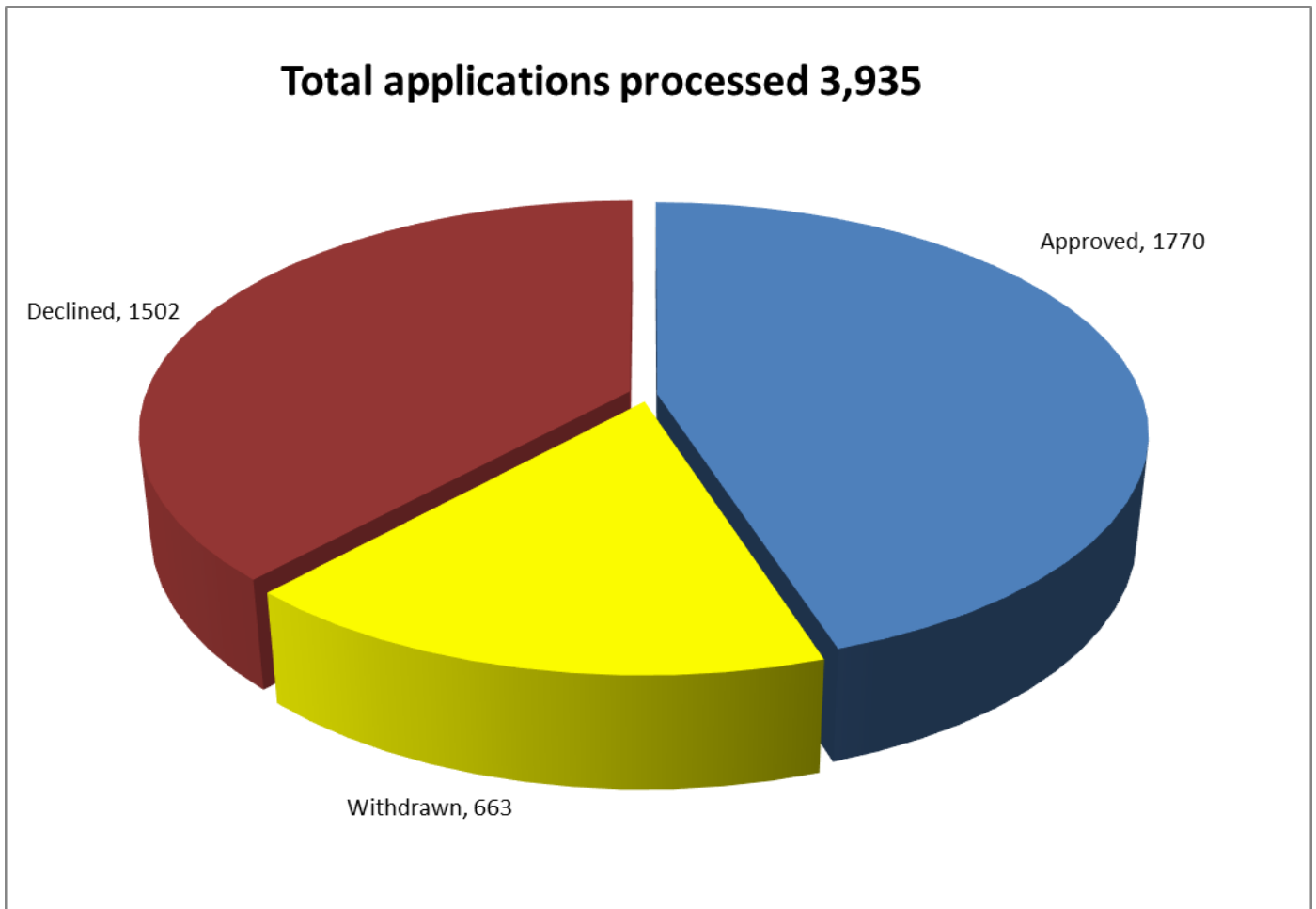
Total Applications Processed																						
	2013		2014		2015		2016		Q1 2017		Q2 2017		Q3 2017		Q4 2017		Q1 2018		Q2 2018		Total (1st October 2012 to 30th June 2018)	
Applications Processed		348		483		743		902		211		230		220		266		251		281		3,935
Approved		139		274		357		397		82		96		111		111		96		107		1,770
Approval Rate		40%		57%		48%		44%		39%		42%		50%		42%		38%		38%		45%
Approved (€'000)		2,159		4,159		5,378		5,392		1,095		1,392		1,439		1,577		1,300		1,524		25,415

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 jobs at time of approvals:

No. of Employees	Total Approvals										Total (1st October 2012 to 30th June)
	2013	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	
1	60	141	187	235	39	43	52	61	43	48	909
2-3	56	86	97	91	28	34	42	30	41	42	547
4-5	16	22	33	45	11	11	9	6	8	8	169
6-9	10	25	40	26	4	8	8	14	4	9	148
10								0			0
Prior period adj	-3	0									-3
Total No. of Loans	139	274	357	397	82	96	111	111	96	107	1,770

Approvals by Loan Size

From 1st October 2012 to 30th June 2018, loans were granted in the following size range.

Euro	No. of Loans
≤25k	522
≤20k	193
≤15k	297
≤10k	327
≤5k	431
Total	1,770
Average loan size €14.4K	

Purpose for which Microfinance Loans were granted

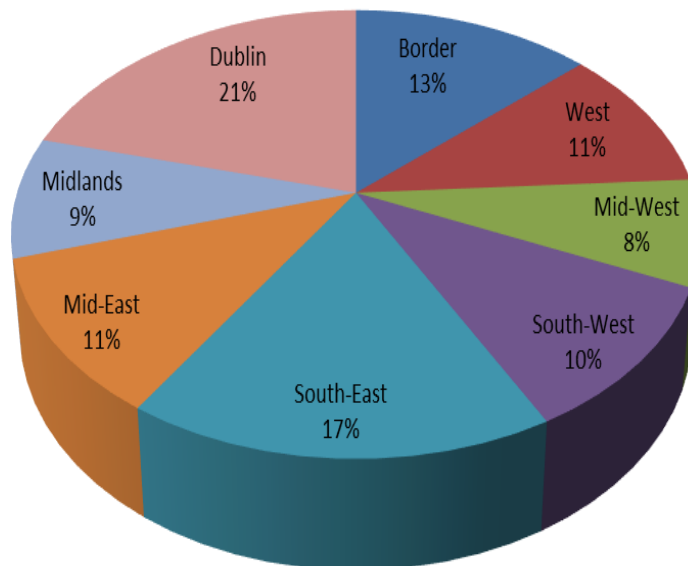
Loans were granted for the following purposes:

- 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 2018

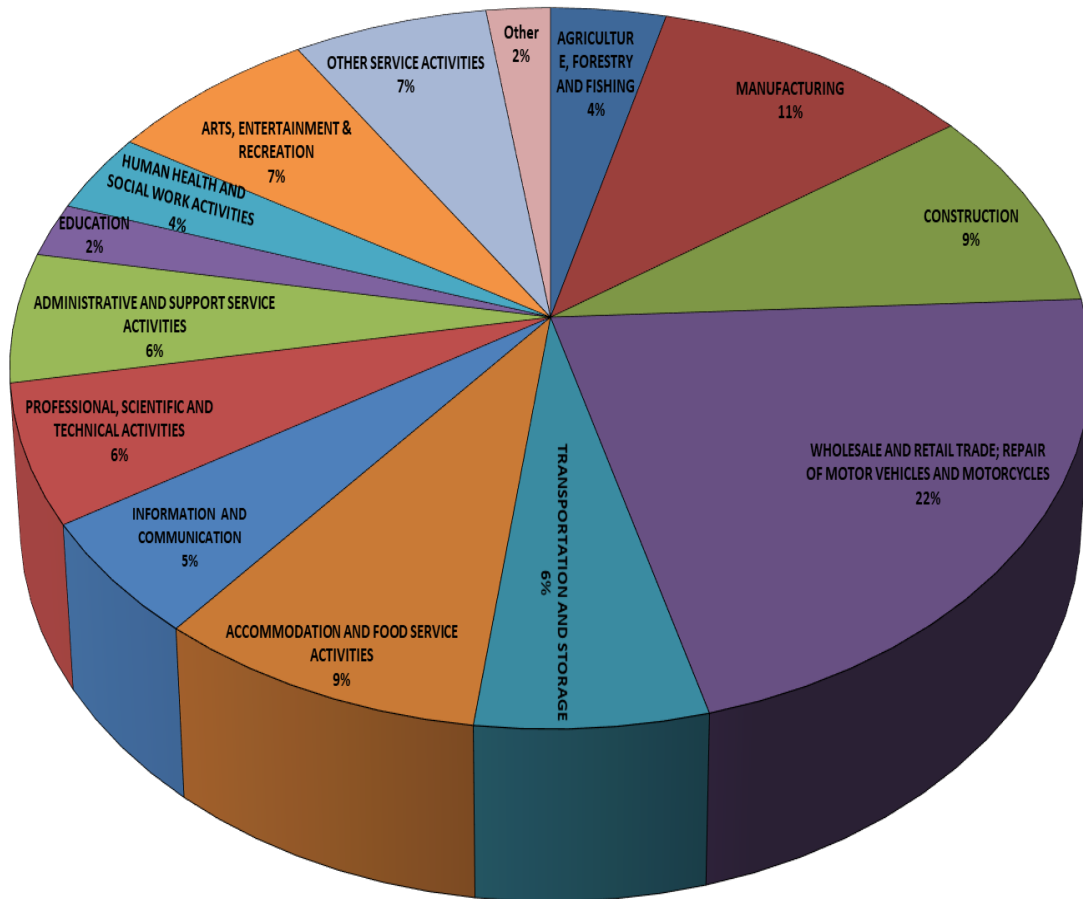
Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	885	370	Westmeath	110	47
Cork	323	143	Louth	108	37
Meath	197	78	Mayo	108	61
Galway	188	90	Donegal	101	46
Tipperary	187	83	Laois	89	37
Limerick	185	81	Longford	85	36
Wexford	155	90	Sligo	79	50
Waterford	154	69	Offaly	78	35
Kildare	139	66	Roscommon	74	37
Wicklow	137	54	Carlow	66	29
Clare	115	54	Kilkenny	66	29
Cavan	114	49	Monaghan	65	25
Kerry	111	44	Leitrim	56	30
Total Applications Received: 3,975					
Total Applications Approved: 1,770					

Approved Loans By Regions



Approval by Business Sector

Loans by Sector



Demographical Analysis

Borrower's legal status

- 633 Microfinance loans were granted to Private Limited Companies
- 1,002 Sole Traders were granted a microfinance loan
- 135 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 1,770 loans approved, 990 were start-up enterprises (<18 months) and 780 to existing enterprises.

Gender Breakdown

Of the total applications received 75% (2,983) were from male promoters and 25% (992) from female promoters. Of the loans approved as at 30th June 2018, 74% (1,314) were to male promoters while 26% (456) were to female promoters.

Youths

There were 46 loans approved to young entrepreneurs comprising 3% of all the applications approved to date.

Approved Applications	Numbers	Value €
Total Approved	1,770	25.415M
Start-Up (<18 months)	990	
Existing	780	
No. of Ltd. Co.	633	
No. of Sole Traders	1,002	
No. of Partnerships	135	
Female	456	
Male	1,314	
Youth (18-25 years old)	46	

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 declining 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 216 appeals from inception to 30th June 2018 and 36 of these cases have been approved on appeal (17%). These figures are included in the overall approval figures.

Business Failures

Up to end June 2018, 223 businesses of the 1,534 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 and Irish Local Development Network

Microfinance Ireland's main referral partners are the Local Enterprise Offices (LEOs). To date, 1,778 of our loan applications were received from the LEOs accounting for 45% of all of our applications. Of these applications received from the LEOs, 1,766 were fully processed by the 30th June 2018 resulting in 915 being approved giving an approval rate of 52%. The LEOs also support MFI applicants with their application, relevant business training and both pre and post loan mentoring assistance.

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 with 28 applications submitted for the half year 2018, 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.

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 2,197 applications via these channels which equates to 55% of all applications. Of these applications, 2,169 were fully processed by the 30th June 2018 resulting in 855 being approved giving an approval rate of 39%.

Bank Channel

The bank channel, consisting of Bank of Ireland, AIB, Ulster Bank & PTSB, is continuing to make referrals to Microfinance Ireland. In the quarter to June 2018, 52 referrals and 10 loan applications were received which was lower than Q1. Meetings were held with both AIB and BOI before the end of Q2 with a view to driving increased performance of referrals and applications.

This relationship is monitored closely to ensure a consistent flow of leads and applications from each Bank on an ongoing basis.