

# Microfinance Ireland

## Microenterprise Loan Fund Scheme for the period 1<sup>st</sup> October 2012 to 30<sup>th</sup> September 2014

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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 for commercially viable proposals that have been declined credit by commercial banks.

### From inception 01 October 2012 to 30<sup>th</sup> September 2014 Microfinance Ireland has:

- ✓ **€5.137M value of loans approved**
- ✓ **743 net jobs supported in 333 micro-enterprises**
- ✓ **729 applications received**
- ✓ **57% approval rate**

### Borrowers who have benefited:

- ✓ Average Loan size of **€15.4K**
- ✓ **83%** approvals granted to businesses employing **3 people or fewer**
- ✓ **58%** of approvals granted to **start-ups** (in business for less than 18 months)
- ✓ **Wide geographic coverage:** 24% of loans granted to Dublin, 76% from rest of Ireland

### Successful applicants during the quarter:

WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES <b>(26%)</b>	MANUFACTURING <b>(14%)</b>
ARTS, ENTERTAINMENT AND RECREATION <b>(8%)</b>	PROFESSIONAL SERVICES <b>(5%)</b>
ADMINISTRATION AND SUPPORT SERVICE ACTIVITIES <b>(10%)</b>	INFORMATION AND COMMUNICATION <b>(7%)</b>
ACCOMMODATION AND FOOD SERVICE ACTIVITIES <b>(5%)</b>	TRANSPORT <b>(5%)</b>
CONSTRUCTION <b>(5%)</b>	OTHER <b>(15%)</b>

### Assessing applications efficiently:

- ✓ **580** applications processed to full assessment
- ✓ **36** applications in progress at reporting date
- ✓ Endeavour to process complete applications within 10 days

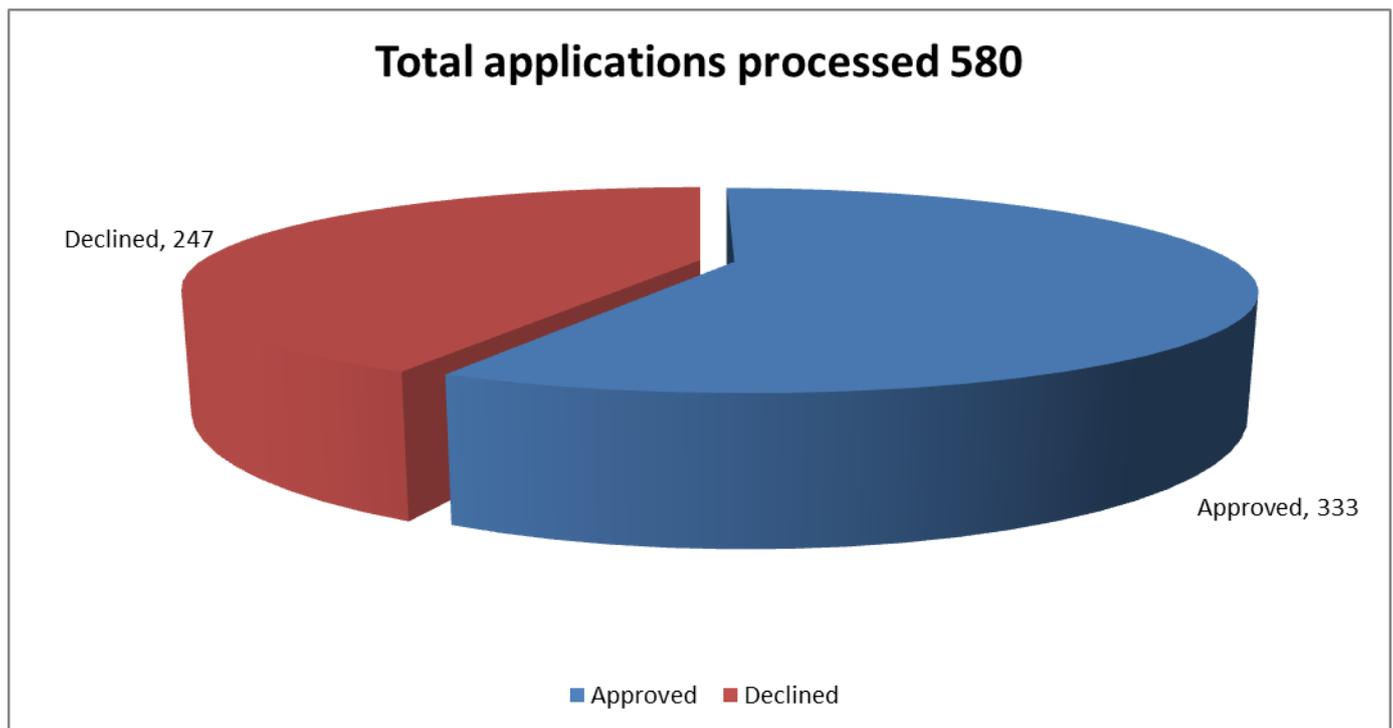
## Activity Levels covering period 1<sup>st</sup> October 2012 to 30 September 2014

As at 30<sup>th</sup> September 2014, 333 micro-enterprise applications have been supported resulting in loans totalling €5.137 M being approved through the Microenterprise Loan Fund Scheme. This represents an approval rate of 57% of applications fully processed.

In total 729 applications have been received of which 580 have been fully processed. Of these 333 have been approved and 247 have been declined. Work-in –progress accounted for 44 applications and others \* represented 105 applications for reasons listed below.

### Net impact on Jobs

Microfinance Ireland is supporting a total of 743 full-time equivalent jobs (net). This relates to 328 businesses, with 5 businesses supported having failed (of which 3 relates to the quarter to Septembers 2014). See Business Failures page 9.



#### \* Others include

- Applicant deferred application to re-evaluate business proposal
- Information requirements not supplied to MFI
- Applicant referred to local LEO to assist with application process
- Applicant decided not to progress application
- Applicant withdrew following approval

## Applications by Quarter

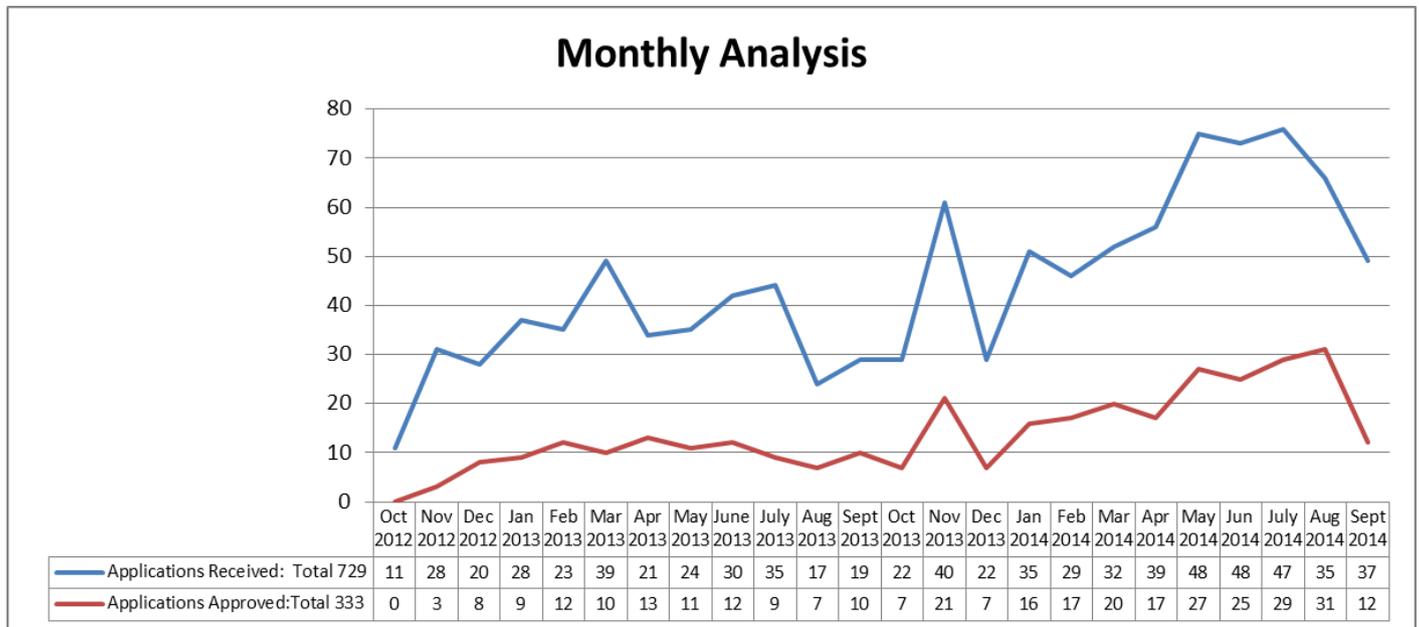
## Approvals by Quarter \*\*

Total Applications Received											
	Launch Phase (1 <sup>st</sup> October 2012 to 31 <sup>st</sup> March 2013)	Q2 2013 (1 <sup>st</sup> April 2013 to 30 <sup>th</sup> June 2013)	Q3 2013 (1 <sup>st</sup> July 2013 to 30 <sup>th</sup> September 2013)	Q4 2013 (1 <sup>st</sup> October 2013 to 31 <sup>st</sup> December 2013)	Q1 2014 (1 <sup>st</sup> January 2014 to 31 <sup>st</sup> March 2014)	Q2 2014 (1 <sup>st</sup> April 2014 to 30 <sup>th</sup> June 2014)	Q3 2014 (1 <sup>st</sup> July 2014 to 30 <sup>th</sup> Sept 2014)	Total			
<b>Total Applications</b>	149	75 €1.297M	71 €1.288M	84 €1.374M	96 €1.642M	135 €2.368M	119 €1.852M	<b>729</b>	<b>€12.606M</b>		
Total Applications Processed to Final Conclusion											
	Launch Phase (1 <sup>st</sup> October 2012 to 31 <sup>st</sup> March 2013)	Q2 2013 (1 <sup>st</sup> April 2013 to 30 <sup>th</sup> June 2013)	Q3 2013 (1 <sup>st</sup> July 2013 to 30 <sup>th</sup> September 2013)	Q4 2013 (1 <sup>st</sup> October 2013 to 31 <sup>st</sup> December 2013)	Q1 2014 (1 <sup>st</sup> January 2014 to 31 <sup>st</sup> March 2014)	Q2 2014 (1 <sup>st</sup> January 2014 to 30 <sup>th</sup> June 2014)	Q3 2014 (1 <sup>st</sup> July 2014 to 30 <sup>th</sup> Sept 2014)	Total			
<b>Applications Processed</b>	102	77	60	57	78	107	99	<b>580</b>			
<b>Approved</b>	43	35	26	35	53	69	72	<b>333</b>			
<b>Approval Rate</b>	42%	45%	43%	61%	68%	64%	73%	<b>57%</b>			
<b>Approved (€'000)</b>	<b>700</b>	<b>543</b>	<b>347</b>	<b>569</b>	<b>863</b>	<b>1119</b>	<b>996</b>	<b>€5.137M</b>			

\*\* From time to time an application is approved in a quarter and the entrepreneur may choose to withdraw following approval but prior to drawing down. This can result in revisions to previously published quarter-end figures.

## 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	No. of Micro-enterprises							
	Launch Phase (1 <sup>st</sup> October 2012 to 31 <sup>st</sup> March 2013)	Q2 2013 (1 <sup>st</sup> April 2013 to 30 <sup>th</sup> June 2013)	Q3 2013 (1 <sup>st</sup> July 2013 to 30 <sup>th</sup> September 2013)	Q4 2013 (1 <sup>st</sup> October 2013 to 31 <sup>st</sup> December 2013)	Q1 2014 (1 <sup>st</sup> January 2014 to 31 <sup>st</sup> March 2014)	Q2 2014 (1 <sup>st</sup> March 2014 to 30 <sup>th</sup> June 2014)	Q3 2014 (1 <sup>st</sup> July 2014 to 30 <sup>th</sup> Sept 2014)	Total (1 <sup>st</sup> October 2012 to 30 <sup>th</sup> Sept 2014)
1	11	17	19	13	25	35	40	160
2-3	22	13	5	16	19	21	20	116
4-5	9	3	1	3	3	7	7	33
6-9	2	3	2	3	6	6	5	27
Prior period adj	-1	-1	-1	0	0			-3
<b>Total No. of Loans</b>	43	35	26	35	53	69	72	333
Average No. of Jobs per Loan	2.6	2.1	1.5	2.5	2.5	2.3	2.1	2.3

## Activity by Loan Size

From 1<sup>st</sup> October 2012 to 30<sup>th</sup> September 2014, loans were granted in the following size range.

Euro	No. of Loans
≤25k	115
≤20k	39
≤15k	53
≤10k	67
≤5k	59
<b>Total</b>	<b>333</b>
<b>Average loan size €15.4K</b>	

## 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, 318 of our loan applications were received from the LEOs accounting for 44% of all of our applications. Of these applications received from the LEOs, 262 were fully processed by the 30th September 2014 resulting in 158 being approved giving an approval rate of 60%. The LEOs also support MFI applicants with their application, relevant business training and both pre and post loan mentoring assistance.

**Direct Applications**

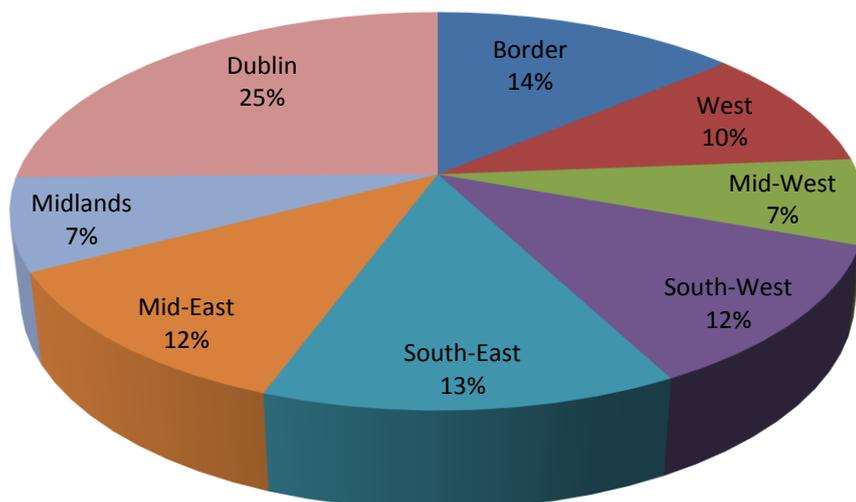
While the LEOs remain our primary referral partners there has been a steady flow of applications direct from enterprises, both existing and new businesses, seeking credit. In the period from inception Microfinance Ireland has received 411 applications directly which equates to 56% of all applications. Of the applications received directly, 318 were fully processed by the 30<sup>th</sup> September 2014 resulting in 175 being approved giving an approval rate of 55%.

## Analysis of Approvals

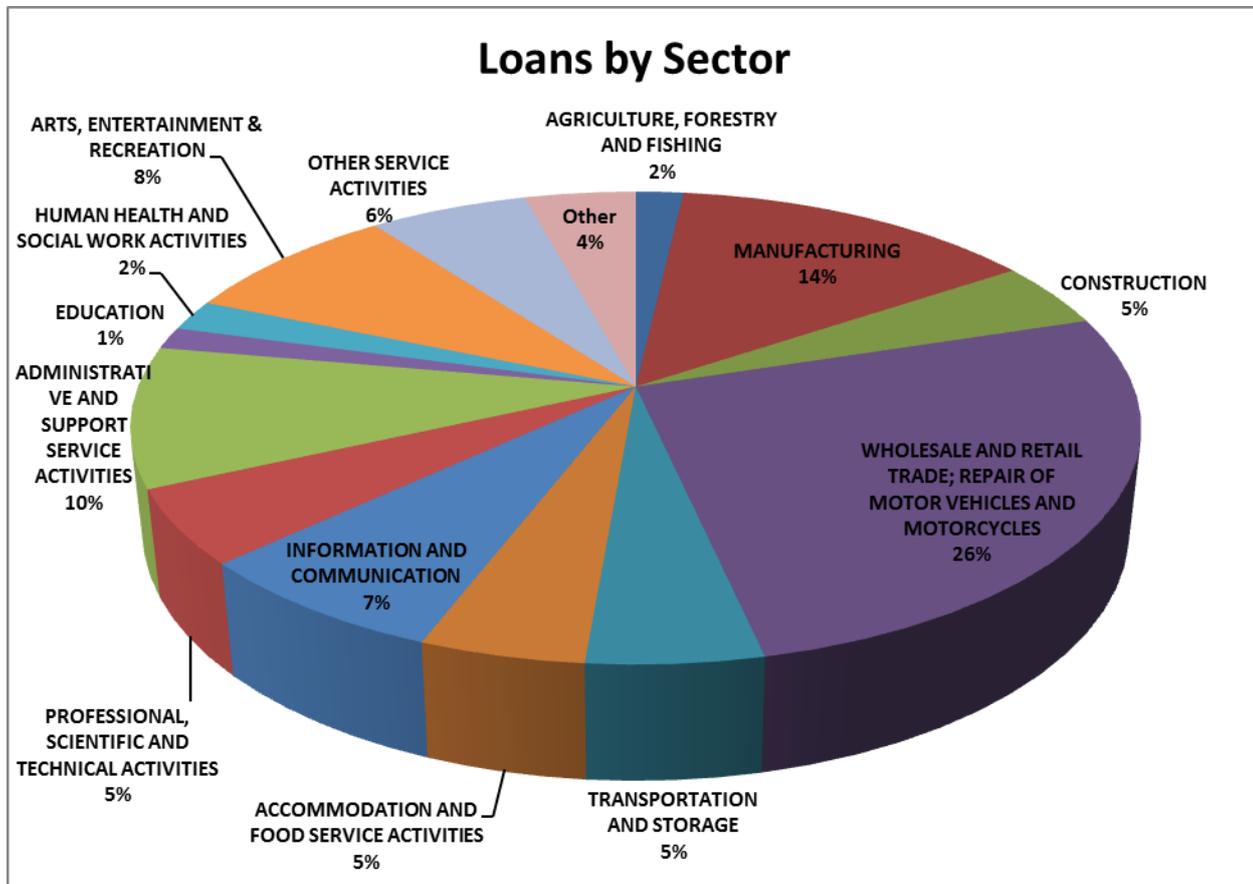
### Geographical Spread – from 1<sup>st</sup> October 2012 to 30<sup>th</sup> September 2014

Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	173	84	Monaghan	21	7
Cork	65	27	Laois	19	8
Limerick	39	17	Westmeath	18	10
Meath	33	14	Waterford	17	10
Wicklow	31	16	Roscommon	17	6
Tipperary	29	10	Donegal	17	9
Wexford	28	10	Carlow	16	9
Galway	26	13	Clare	15	6
Mayo	23	14	Sligo	14	10
Cavan	23	13	Leitrim	11	1
Louth	22	6	Longford	10	2
Kerry	22	12	Offaly	9	5
Kildare	22	9	Kilkenny	9	5
<b>Total Applications Received: 729</b>					
<b>Total Applications Approved: 333</b>					

### Loans By Regions



## Activity by Sector



## Start-Up/Existing

Of the 333 loans approved, 194 were to start-up enterprises (<18 months) and 139 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 49 appeals from inception to 30<sup>th</sup> September 2014 and 13 of these cases have been approved on appeal (27%). These figures are included in the overall approval figures.

### Activity by Borrower Type

- 135 microfinance loans were granted to Private Limited Companies
- 182 Sole Traders were granted a microfinance loan
- 16 microfinance loans were granted to Partnerships

### Gender Breakdown

Of the total applications received 76% (556) were from male promoters and 24% (173) from female promoters. Of the loans approved as at 30th September 2014, 74% (246) were to male promoters while 26% (87) were to female promoters.

There were 10 loans approved to young entrepreneurs comprising almost 3% of all the applications approved to date.

Approved Applications	Volume	Value
<b>Total Approved</b>	333	€5.137M
<b>Start-Up (&lt;18 months)</b>	194	
<b>Existing</b>	139	
<b>No. of Ltd. Co.</b>	135	
<b>No. of Sole Traders</b>	182	
<b>No. of Partnerships</b>	16	
<b>Female</b>	87	
<b>Male</b>	246	
<b>Youth (18-25 years old)</b>	10	

### Business Failures

Up to end September 2014, 5 businesses of the 333 supported have failed, 3 in the latest quarter. While any business failure is regrettable, it was anticipated from the outset that a not insignificant proportion of projects supported by the Microenterprise Scheme might fail. It is a feature of microfinance given the higher risk profile that even with strong business supports, failures will occur. Now that Microfinance Ireland is two years old, it was to be expected that the overall portfolio of loans register increasing numbers of distressed cases and this is now becoming evident - and will likely grow quickly as the earlier portfolio begins to mature, after which it will likely stabilise albeit an ongoing significant portion of the loan portfolio.

## **ADVERTISING, PROMOTION AND COMMUNICATION OF THE MFI LOAN FUND SCHEME 1 July to 30 Sept 2014**

### **Advertising Activity:**

No press or radio advertising took place during Q3.

### **MFI Website:**

The MFI website [www.microfinanceireland.ie](http://www.microfinanceireland.ie) attracted 8,248 visits during this three month period, with 68% being first time visitors. The total number of web hits was down by 18%, this can be accounted for by not placing radio advertisements in Q3.

MFI continues to feature on the Supporting SMEs campaign online portal launched in May and embedded on the LEOs websites and also on the MFI website and some minor adaptations have been made to the information to reflect the push to the LEO channel.

### **Twitter:**

MFI Twitter account has 950 followers to our twitter feed which is linked in to both the MFI Facebook account and on MFI website. This is an increase of 150 since last quarter.

### **Case Studies Videography:**

Ongoing work making short videos of successful entrepreneurs who got funding from MFI continued and in Q3 we added a further five cases to the website giving a total of ten videos to date. They are also featured on a dedicated Microfinance Ireland YouTube channel and on MFI Facebook page.

<http://www.youtube.com/user/microfinanceireland>

**Business Conferences, Access to Finance Seminars, Breakfast Briefings and Networking Events:**

Marketing and outreach networking events slowed down during the summer holiday time. This allows us to work on our internal communications messaging and marketing plan for 2015. MFI either presented or had a stand or both at the following range of events during September.

- LEO Kilkenny owner managers network
- Roscommon Local Development Company
- LEO Tipperary Who to Talk To in Business event
- Access to Finance seminar in Chartered Accountants house Dublin
- LEO Westmeath Access to Finance Seminar in Mullingar
- National Women in Business Network Conference
- National Ploughing Championships

**Local Enterprise Office (LEO) new Loan Product:**

A newly packaged LEO Microfinance loan product was launched in September at a promotional event in Cork. The loan is offered to LEO clients at 1% reduced rate of interest. Small businesses can now apply directly to the Local Enterprise Office Clients where they will benefit from advice and support during the application stage in addition to a local credit assessment by LEO staff. Credit Assessment training was conducted with all LEO business advisors to ensure quality of assessment standard.

**Brochureware:**

New brochures were produced aimed at the LEO customers and promoting the 1% discounted product to that cohort. Brochures were also produced for the Local Development Company client groups. The regular MFI Brochures continue to be disseminated through various channels including relevant business groups such as ISME, Chambers Ireland and the Small Firms Association. Brochures are also circulated at a range of speaking events throughout the country.

**Publicity:**

Articles were published in various press as follows:

- Evening Echo                      Launch of 'LEO Microfinance loan for SMEs
- Irish Examiner                    Small business loans
- Evening Echo                      New type of loan support for small businesses
- Sunday Business Post          Applications on the rise for Microfinance loans

**European Microfinance Network**

In Q3 work commenced on the planning for the next European Microfinance Conference that Microfinance Ireland is hosting in June 2015 in Dublin. The general theme of the conference is Microfinance and Banks.

**MFI engagement with Banks:**

MFI continues to engage closely with the main SME Banks to help promote awareness of the Loan Fund Scheme. Meetings with the main SME Banks are held on a regular basis to discuss market trends and to explore and progress initiatives that are intended to raise and maintain awareness of bank referral to MFI (for customers that have been declined credit or sufficient credit) to help identify MFI co funding opportunities. Both AIB and Bank of Ireland include a reference to MFI in letters to customers that have been declined bank credit facilities. MFI and the SME Banks are also working on a number of initiatives which are expected to improve the number of applications to MFI.