

Microfinance Ireland

Report on The Microenterprise Loan Fund Scheme as at 31th December 2016



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 is 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 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 to Micro-enterprises (Microenterprises are defined as businesses with less than 10 employees and /or Turnover <€10m) who cannot obtain funding through traditional sources.

Performance in 2016

In 2016, Microfinance Ireland experienced continued strong growth with applications volumes in the year up 15%. The number of approved loans is also positive compared to last year, up 11%. Overall value of total loans approved was flat (€5.5m in both 2015 and 2016) due to a reduction in average size of loan requested. In total, 397 micro-enterprises had loans approved through the Microenterprise Loan Fund Scheme in 2016.

These approved loans created or sustained 990 jobs.

Of the 902 loans processed during the year, 180 applications were withdrawn by the applicants during the initial assessment. Excluding application withdrawals, 397 were approved representing 55% of loans brought to full decision (or 44% of overall applications processed).

In the latter half of 2016, approval rates declined somewhat as significant focus has been placed on ensuring that bad debts are managed within expected levels.

Work-in-progress at year end accounted for 24 applications.

Summary in 2016

- ✓ **861** **Applications received**
- ✓ **€5.4M** **Value of loans approved**
- ✓ **€4.3M** **Value of loans drawn**
- ✓ **990** **Jobs supported in 397 micro-enterprises**
- ✓ **330** **loans drawn**
- ✓ **44%** **Approval rate**

- ✓ Average Loan size of **€14K**
- ✓ **82 %** approvals granted to businesses employing **3 people or fewer**
- ✓ **52 %** of approvals granted to **start-ups** (in business for less than 18 months)
- ✓ **Wide geographic coverage:** 18 % of loans granted to Dublin, 82 % remainder of Ireland

Promotion of the MFI Loan Fund Scheme during 2016

There was a strong focus on advertising, promotion and engagement with key stakeholders during 2016 across a broad range of marketing activities, with a particular emphasis being placed on PR and digital media.

A key milestone was achieved in July with the reduction of our interest rate by 1%, which resulted in very positive PR across national press and digital media. This was followed with extensive communication, promotion and advertising on social media by MFI and Local Enterprise Offices to promote the new headline rate which is currently broadly aligned with commercial lending providers.

A significant deliverable was the rebranding of MFI, including the launch of a revised product offering, new website, logo and associated marketing material. The combined impact creates better clarity of our offering, customer focused product propositions through a more real 'look and feel' to our marketing, featuring customer graphics and more customer success stories that better resonate with our target market. The website also contains additional information and all the necessary documentation to support customers with their applications. To date feedback has been very positive from a broad range of customers and stakeholders.

MFI also increased its activities on Social Media during the year and these activities continue to draw a growing amount of traffic to our website and social media pages, with increased level of queries to the business.

MFI continued to maintain strong relationships with all our referral partners including the LEOs. We regularly attended Heads of LEO meetings and quarterly review meetings with EI Co-ordination Unit to review ongoing performance with a view to maximising business volumes. Regular marketing updates are provided to LEOs on an ongoing basis with relevant MFI content for inclusion in their Newsletters/eZines.

MFI also continued to work with the Irish Local Development Network (ILDN), who deal with a large number of clients who are moving to self-employment and are on the Back to Work Enterprise Allowance (BTWEA). A number of MFI workshops were held with ILDN Enterprise Officers in a number of locations across the country during the year. MFI were also the exclusive sponsor of the inaugural ILDN National Enterprise Awards which were held in Dublin in September.

2016 saw significant progress in relation to the Bank Channel, consisting of Bank of Ireland, AIB and Ulster Bank. The level of Bank Leads (Referrals) has increased significantly since May 2016 with 361 referrals made to MFI during the year. Engagement with the Banks is ongoing with a view to building a steady pipeline of leads from all the Banks on an ongoing basis.

MFI staff continued to attend events around the country to promote MFI's offering and increase overall brand awareness. Presentations and speaking opportunities were optimised at a large number of events including, National Enterprise Week, 'Jobs Week' (Department of Social Protection initiative), Ignite Academy's Self Employment Programme, and a large number of business seminars and events covering each region of the country.

Fund Performance: 1st October 2012 to 31st December 2016

As at year end 2016, Microfinance Ireland has been in business for 4.25 years. In this time, it has delivered the following key results:

- ✓ **2,500 Applications received**
- ✓ **€17.1M Value of loans approved**
- ✓ **€14.2M Value of loans drawn**
- ✓ **2,811 Net jobs supported in 1167 micro-enterprises**
- ✓ **995 Loans drawn**
- ✓ **47% Approval rate**

- ✓ Average Loan size of **€15K**
- ✓ **74 %** 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 (23%)	MANUFACTURING (13%)
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 (5%)	OTHER SERVICES (5%)
AGRICULTURE, FORESTRY & FISHING (4%)	OTHER (3%)
HUMAN, HEALTH AND SOCIAL WORK (3%)	EDUCATION (3%)

Assessing applications efficiently:

- ✓ **2,476** Applications processed to full assessment
- ✓ **24** Applications in progress at reporting date
- ✓ Endeavour to process complete applications within **10 days**

Microfinance Fund since inception (October 2012)

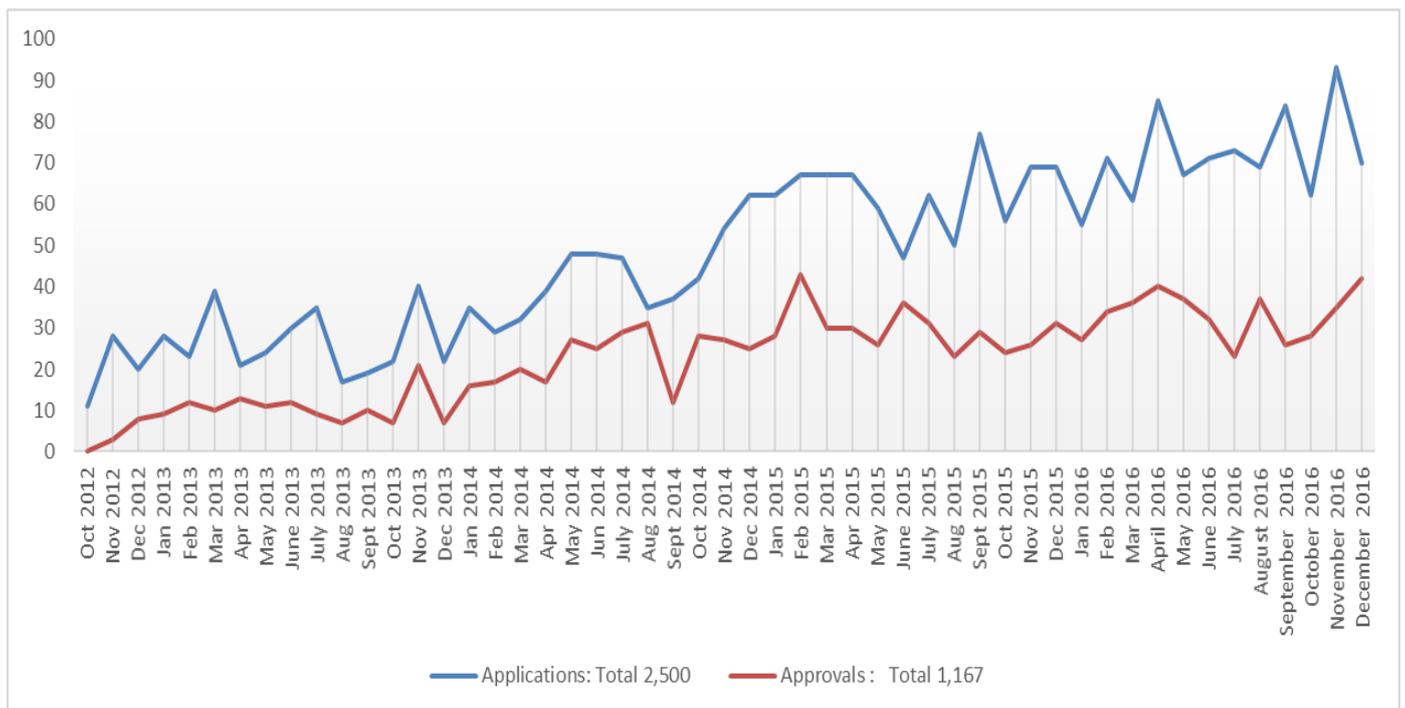
Applications by Quarter

Total Applications Received																						
	2013		2014		Q1 2015		Q2 2015		Q3 2015		Q4 2015		Q1 2016		Q2 2016		Q3 2016		Q4 2016		Total (1st October 2012 to 31st December 2016)	
Total Applications	379	€6.739M	508	€8.451	196	€3.252M	173	€2.799M	189	€3.308M	194	€2.958M	187	€2.965M	223	€3.579M	226	€3.719M	225	€3.304M	2,500	€41.074M
Total Applications Processed																						
	2013		2014		Q1 2015		Q2 2015		Q3 2015		Q4 2015		Q1 2016		Q2 2016		Q3 2016		Q4 2016		Total (1st October 2012 to 31st December 2016)	
Applications Processed		348		483		193		190		161		199		201		215		237		249		2476
Approved		139		274		101		92		83		81		97		109		86		105		1167
Approval Rate		40%		57%		52%		48%		52%		41%		48%		51%		36%		42%		47%
Approved (€000)		2,159		4,159		1,506		1,479		1,310		1,083		1,387		1,520		1,163		1,322		17,088

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

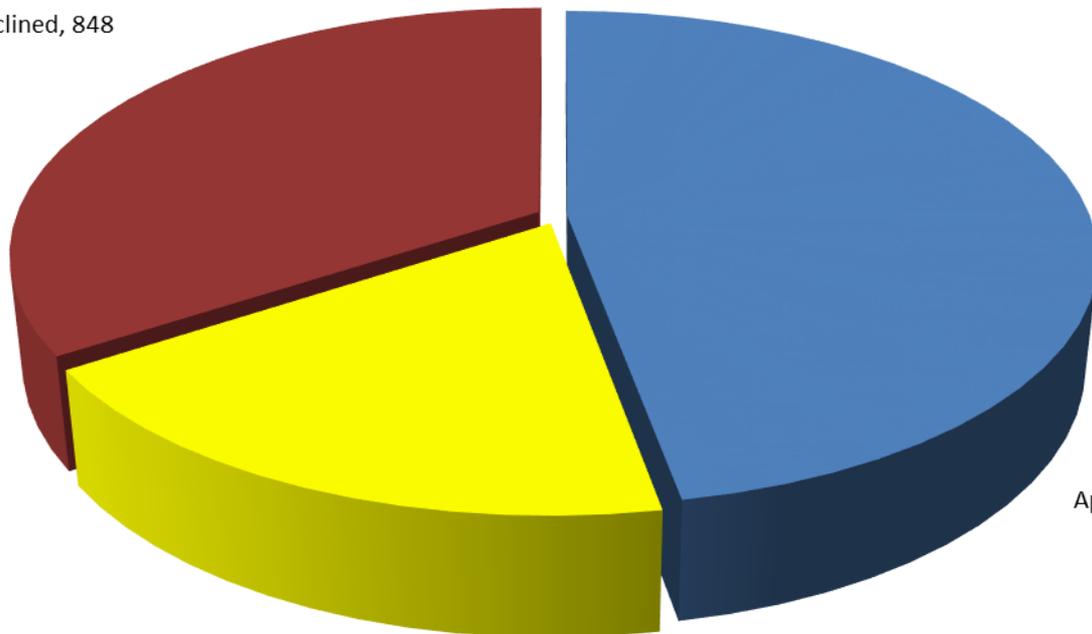
Monthly Growth Trend

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



Total applications processed 2,476

Declined, 848



Approved, 1167

Withdrawn, 461

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										Total (1st October 2012 to 31st December 2016)
	2013	2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	
1	60	141	60	46	43	38	52	67	51	65	558
2-3	56	86	28	28	18	23	25	24	17	25	305
4-5	16	22	9	6	9	9	11	11	15	8	108
6-9	10	25	4	12	13	11	9	7	3	7	94
10-50											
Prior period adj	-3	0									-3
Total No. of Loans	139	274	101	92	83	81	97	109	86	105	1167
Average No. of Jobs per Loan	2.6	2.2	2.4	2.4	2.1	3.6	1.9	1.7	1.6	2.2	2.4

Activity by Loan Size

From 1st October 2012 to 31st December 2016, loans were granted in the following size range.

Euro	No. of Loans
≤25k	355
≤20k	136
≤15k	194
≤10k	232
≤5k	250
Total	1167
Average loan size €15K	

Purpose for which Microfinance Loans were granted

Loans were granted for the following purposes:

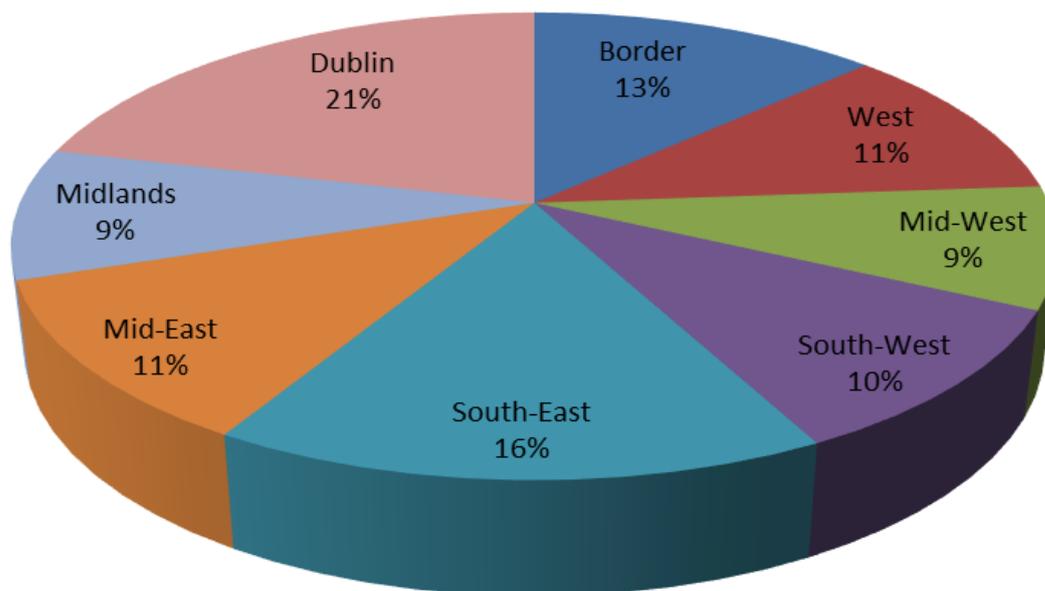
- Working Capital
- Fit-out of Premises
- Purchase of Equipment
- Information & Communications Technology
- Promotion and Marketing

Geographical Analysis of Approvals

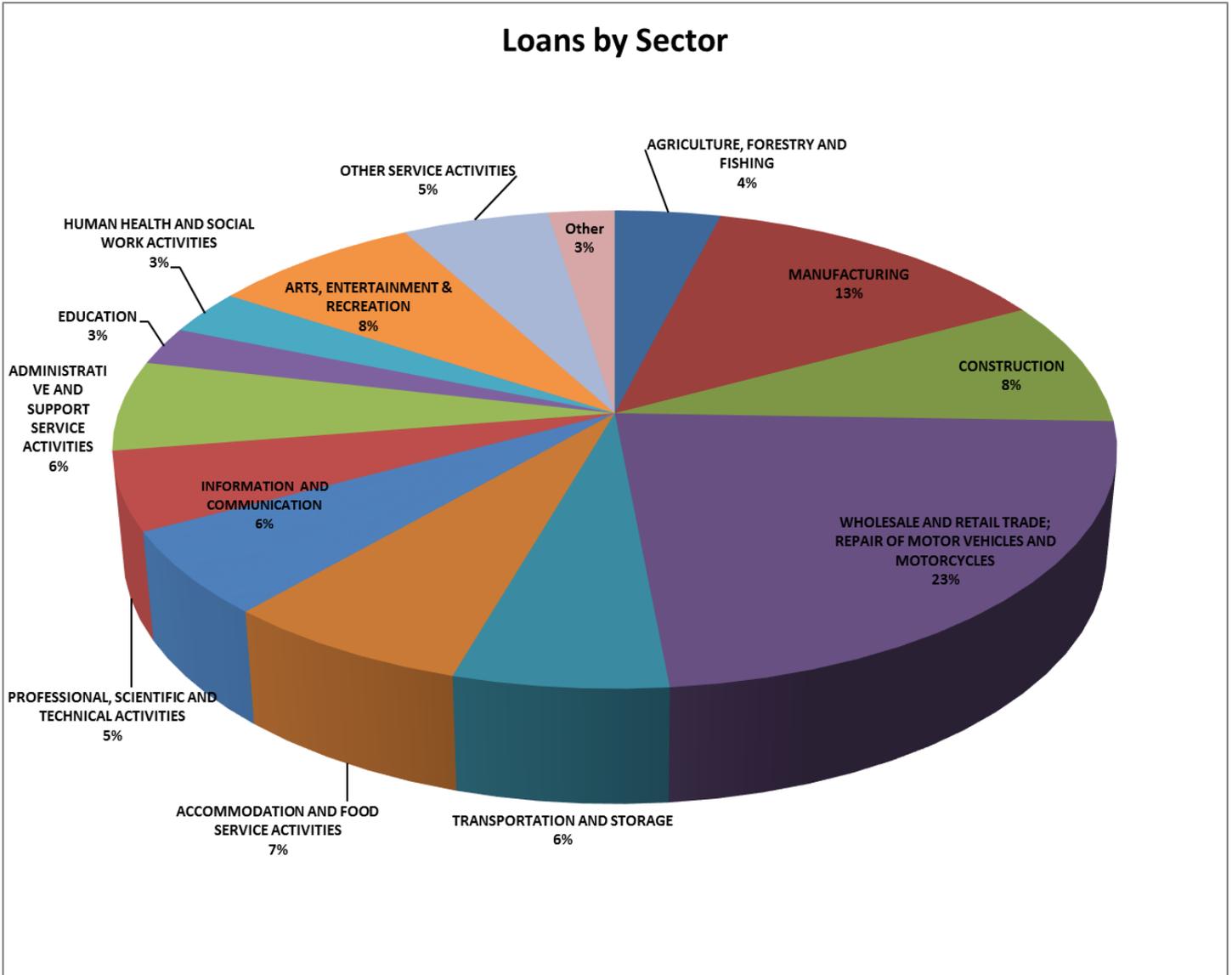
Geographical Spread - from 1st October 2012 to 31st December 2016

Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	546	247	Louth	70	22
Cork	213	89	Mayo	69	44
Meath	121	51	Westmeath	69	32
Limerick	121	59	Laois	63	26
Tipperary	117	55	Longford	63	28
Galway	106	55	Roscommon	54	28
Wexford	94	50	Carlow	50	23
Waterford	90	40	Sligo	49	36
Kildare	87	43	Donegal	48	21
Cavan	80	38	Offaly	44	20
Wicklow	80	38	Monaghan	42	15
Kerry	73	30	Kilkenny	42	19
Clare	72	39	Leitrim	37	19
Total Applications Received: 2,500					
Total Applications Approved: 1,167					

Approved Loans By Regions



Approval by sectors



Demographical analysis

Borrowers legal status

- 443 microfinance loans were granted to Private Limited Companies
- 638 Sole Traders were granted a microfinance loan
- 86 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 1,167 loans approved, 650 were start-up enterprises (<18 months) and 517 to existing enterprises

Gender Breakdown

Of the total applications received 76% (1896) were from male promoters and 24% (604) from female promoters. Of the loans approved as at 31st December 2016, 74% (869) were to male promoters while 26% (298) were to female promoters.

Youths

There were 28 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Volume	Value
Total Approved	1,167	17.088M
Start-Up (<18 months)	650	
Existing	517	
No. of Ltd. Co.	443	
No. of Sole Traders	638	
No. of Partnerships	86	
Female	298	
Male	869	
Youth (18-25 years old)	28	

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 139 appeals from inception to 31st December 2016 and 27 of these cases have been approved on appeal (19%). These figures are included in the overall approval figures.

Business Failures

Up to end December 2016, 125 businesses of the 995 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 (formerly County and City Enterprise Boards)

Microfinance Ireland's main referral partners are the Local Enterprise Offices (LEOs). To date, 1,232 of our loan applications were received from the LEOs accounting for 49% of all of our applications. Of these applications received from the LEOs, 1,219 were fully processed by the 31st December 2016 resulting in 647 being approved giving an approval rate of 53%. 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 1,268 applications directly which equates to 51% of all applications. Of the applications received directly, 1,257 were fully processed by the 31st December 2016 resulting in 520 being approved giving an approval rate of 42%.

Banks

The bank channel, consisting of Bank of Ireland, AIB & Ulster Bank, continues to refer growing numbers of leads. In the year 361 leads were received between the 3 banks. Engagement is on-going with each Bank and training with business teams has now been completed with each. This relationship will be reviewing regularly in order to ensure a consistent flow of leads and applications from each Bank in the future.

ILDN

MFI continues to work with the Irish local Development network (ILDN), who 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 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.