

Microfinance Ireland

Report on The Microenterprise Loan Fund Scheme as at 31st March 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 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 <€2m) who cannot obtain funding through traditional sources.

Fund Performance Summary: 1st October 2012 to 31st March 2017

As at end March 2017, Microfinance Ireland has been in business for 4½ years. In this time, it has delivered the following key results:

- ✓ **2,735 Applications received**
- ✓ **€18.2M Value of loans approved**
- ✓ **2,948 Net jobs supported in 1,249 micro-enterprises**
- ✓ **46% Approval rate**
- ✓ **€15.4M Value of loans drawn**
- ✓ **1,081 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: 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 (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:

- ✓ **2,687 Applications processed to full assessment**
- ✓ **48 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and Performance of the Fund during Qtr 1 2017

A strong focus on advertising, promotion and engagement with key stakeholders continued during Q1 2017 across a broad range of marketing activities, with a particular emphasis on PR and digital marketing during the quarter. This included a range of presentations and speaking engagement at business seminars and events across the country.

A significant milestone for the business was the visit of Minister Mitchell O'Connor to MFI on January 31st. The event was used to profile some of the businesses we support and to formally launch our 2016 annual results.

On the back of the annual results, a local press campaign was undertaken with editorial features in 12 regional newspapers profiling local businesses, promoting the benefits of the MFI offering and highlighting the support that is available through the LEOs. The stories were picked up by some local radio stations with a subsequent interview on Radio Shannonside by the CEO and a customer interview airing on Tipp FM.

An interview with the CEO also featured in the February edition of Business Plus magazine and was included in the magazine's online site.

MFI continued to maintain strong relationships with all our 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. To broaden our potential supply chain, preliminary meetings have taken place with Permanent TSB, some Credit Unions and a number of finance houses.

Key performance indicators for the Quarter were:

- ✓ **235 Applications received**
- ✓ **€1.1M Value of loans approved**
- ✓ **82 Loans approved**
- ✓ **137 Net Jobs supported in 82 micro-enterprises**
- ✓ **39% Approval rate**
- ✓ **€1.2M Value of loans drawn**
- ✓ **86 loans drawn**
- ✓ **Average Loan size of €13K**
- ✓ **82 % approvals granted to businesses employing 3 people or fewer**
- ✓ **67 % of approvals granted to start-ups (in business for less than 18 months)**
- ✓ **Wide geographic coverage: 22% of loans granted to Dublin, 78% remainder of Ireland**

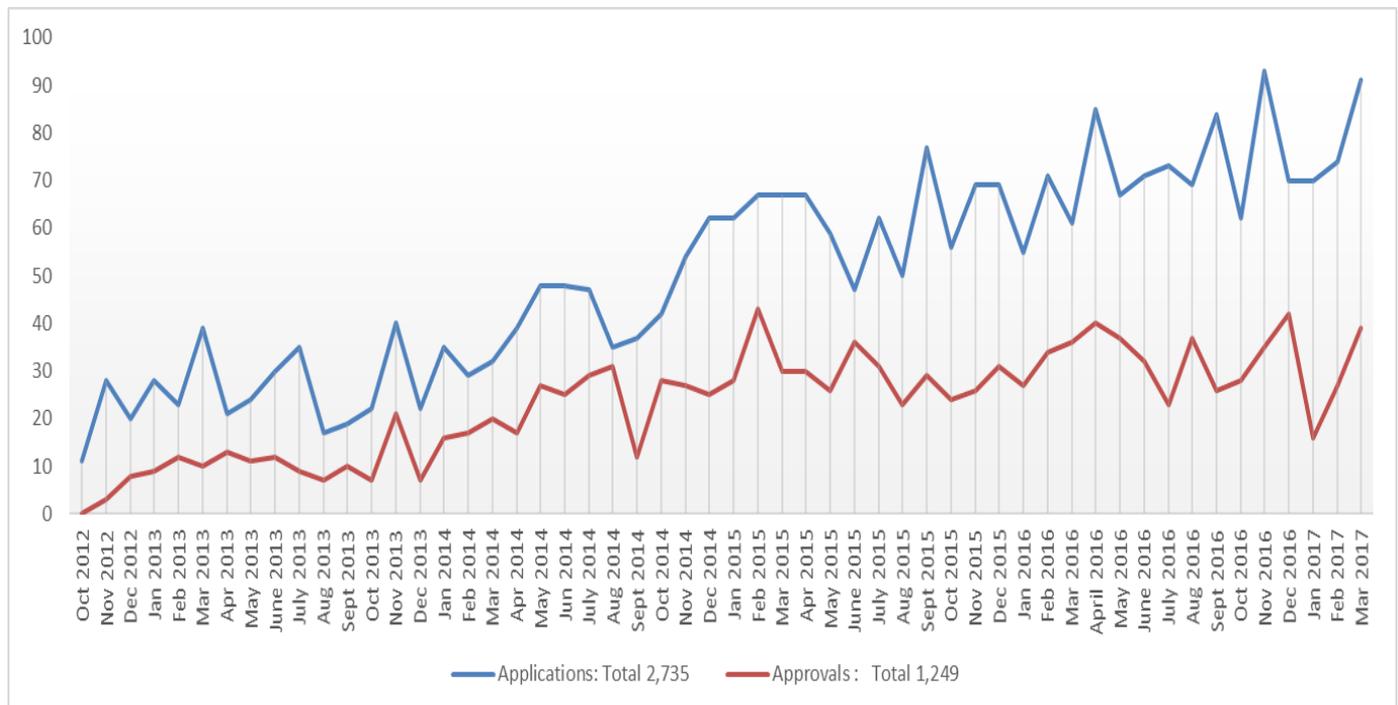
Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

Applications by Quarter

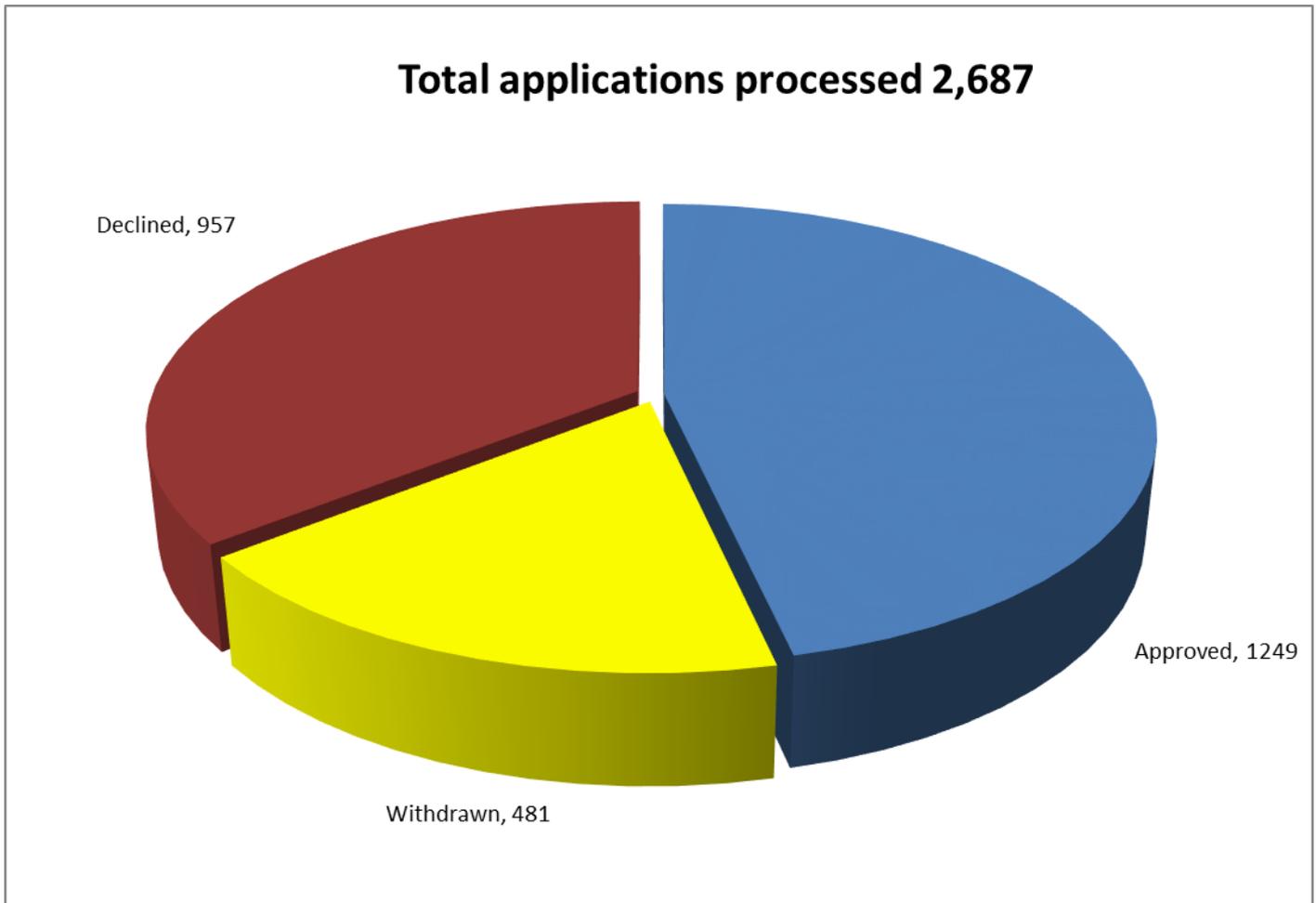
Total Applications Received																		
	2013		2014		2015		Q1 2016		Q2 2016		Q3 2016		Q4 2016		Q1 2017		Total (1st October 2012 to 31st March 2017)	
Total Applications	379	€6.739M	508	€8.451	752	€12.317M	187	€2.965M	223	€3.579M	226	€3.719M	225	€3.304M	235	€3.450M	2,735	€44.524M
Total Applications Processed																		
	2013		2014		2015		Q1 2016		Q2 2016		Q3 2016		Q4 2016		Q1 2017		Total (1st October 2012 to 31st March 2017)	
Applications Processed		348		483		743		201		215		237		249		211		2687
Approved		139		274		357		97		109		86		105		82		1249
Approval Rate		40%		57%		48%		48%		51%		36%		42%		39%		46%
Approved (€'000)		2,159		4,159		5,378		1,387		1,520		1,163		1,322		1,095		18,183

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:

Total Approvals Received									
No. of Employees	2013	2014	2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Total (1st October 2012 to 31st March 2017)
1	60	141	187	52	67	51	65	39	662
2-3	56	86	97	25	24	17	25	28	358
4-5	16	22	33	11	11	15	8	11	127
6-9	10	25	40	9	7	3	7	4	105
10									
Prior period adj	-3	0							-3
Total No. of Loans	139	274	357	97	109	86	105	82	1249
Average No. of Jobs per Loan	2.6	2.2	2.4	1.9	1.7	1.6	2.2	1.7	2.4

Approvals by Loan Size

From 1st October 2012 to 31st March 2017, loans were granted in the following size range.

Euro	No. of Loans
≤25k	376
≤20k	141
≤15k	206
≤10k	249
≤5k	277
Total	1249
Average loan size €14.6K	

Purpose for which Microfinance Loans were granted

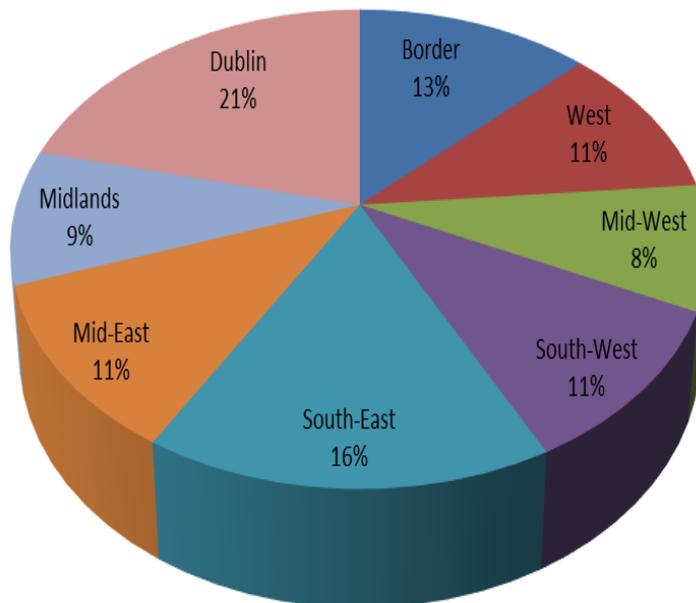
Loans were granted for the following purposes:

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

Geographical Analysis of Approval – from 1st October 2012 to 31st March 2017

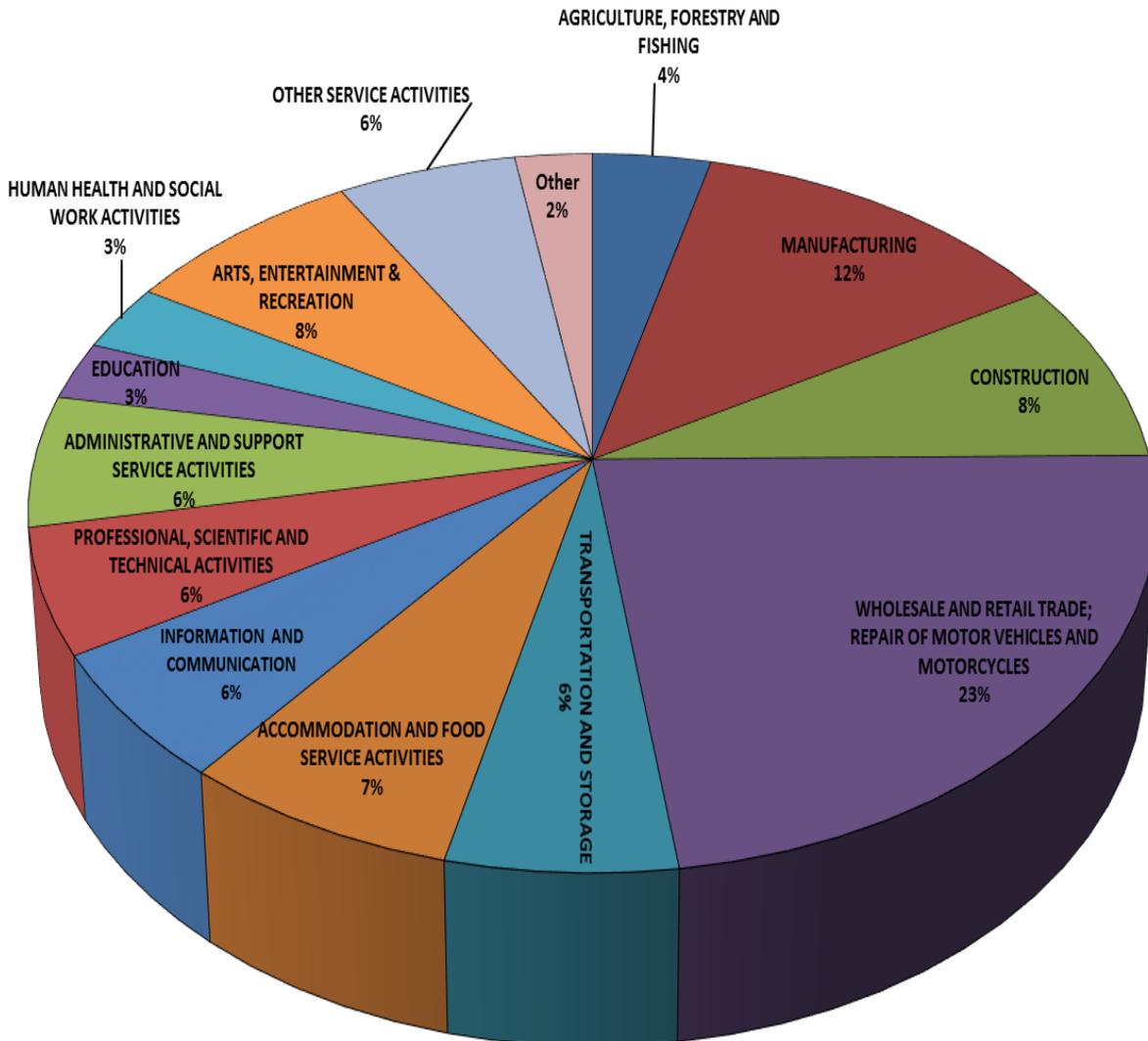
Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	597	265	Louth	74	22
Cork	232	97	Westmeath	74	34
Meath	139	54	Mayo	73	45
Limerick	129	63	Longford	69	30
Tipperary	127	58	Laois	66	28
Galway	117	59	Roscommon	57	30
Wexford	104	56	Donegal	56	26
Waterford	99	41	Sligo	55	36
Kildare	96	46	Carlow	54	25
Wicklow	88	40	Offaly	51	22
Cavan	83	38	Monaghan	47	18
Kerry	80	34	Kilkenny	47	19
Clare	77	42	Leitrim	44	21
Total Applications Received: 2,735 Total Applications Approved: 1,249					

Approved Loans By Regions



Approval by Business Sector

Loans by Sector



Demographical Analysis

Borrower's legal status

- 469 Microfinance loans were granted to Private Limited Companies
- 687 Sole Traders were granted a microfinance loan
- 93 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 1,249 loans approved, 705 were start-up enterprises (<18 months) and 544 to existing enterprises.

Gender Breakdown

Of the total applications received 75% (2062) were from male promoters and 25% (673) from female promoters. Of the loans approved as at 31st March 2017, 74% (928) were to male promoters while 26% (321) were to female promoters.

Youths

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

Approved Applications	Numbers	Value €
Total Approved	1,249	18.183M
Start-Up (<18 months)	705	
Existing	544	
No. of Ltd. Co.	469	
No. of Sole Traders	687	
No. of Partnerships	93	
Female	321	
Male	928	
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 154 appeals from inception to 31ST March 2017 and 28 of these cases have been approved on appeal (18%). These figures are included in the overall approval figures.

Business Failures

Up to end March 2017, 139 businesses of the 1,081 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, 1,350 of our loan applications were received from the LEOs accounting for 49% of all of our applications. Of these applications received from the LEOs, 1,330 were fully processed by the 31st March 2017 resulting in 688 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.

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 1,385 applications via these channels which equates to 51% of all applications. Of these applications, 1,357 were fully processed by the 31st March 2017 resulting in 561 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, 137 introductions were received. These introductions resulted in 20 loan applications between the 3 banks. This relationship will be reviewing 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.