

Microfinance Ireland

Microenterprise Loan Fund Scheme for the period 1st October 2012 to 30th June 2015



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

From inception 01 October 2012 to 30th June 2015 Microfinance Ireland has:

- ✓ **€9.303M value of loans approved**
- ✓ **1,355 net jobs supported in 606 micro-enterprises**
- ✓ **1,256 applications received**
- ✓ **50% approval rate**

Borrowers who have benefited:

- ✓ Average Loan size of **€15.4K**
- ✓ **83%** approvals granted to businesses employing **3 people or fewer**
- ✓ **59%** 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 (24%) | MANUFACTURING (14%) |
| ARTS, ENTERTAINMENT AND RECREATION (8%) | TRANSPORT (7%) |
| ADMINISTRATION AND SUPPORT SERVICE ACTIVITIES (7%) | INFORMATION AND COMMUNICATION (6%) |
| CONSTRUCTION (7%) | ACCOMMODATION & FOOD SERVICE ACT (5%) |
| OTHER SERVICES (5%) | PROFESSIONAL SERVICES (5%) |
| HUMAN, HEALTH AND SOCIAL WORK (4%) | OTHER (3%) |
| AGRICULTURE, FORESTRY & FISHING (3%) | EDUCATION (2%) |

Assessing applications efficiently:

- ✓ **1,214** applications processed to full assessment
- ✓ **42** applications in progress at reporting date
- ✓ Endeavour to process complete applications within 10 days

Activity Levels covering period 1st October 2012 to 30th June 2015

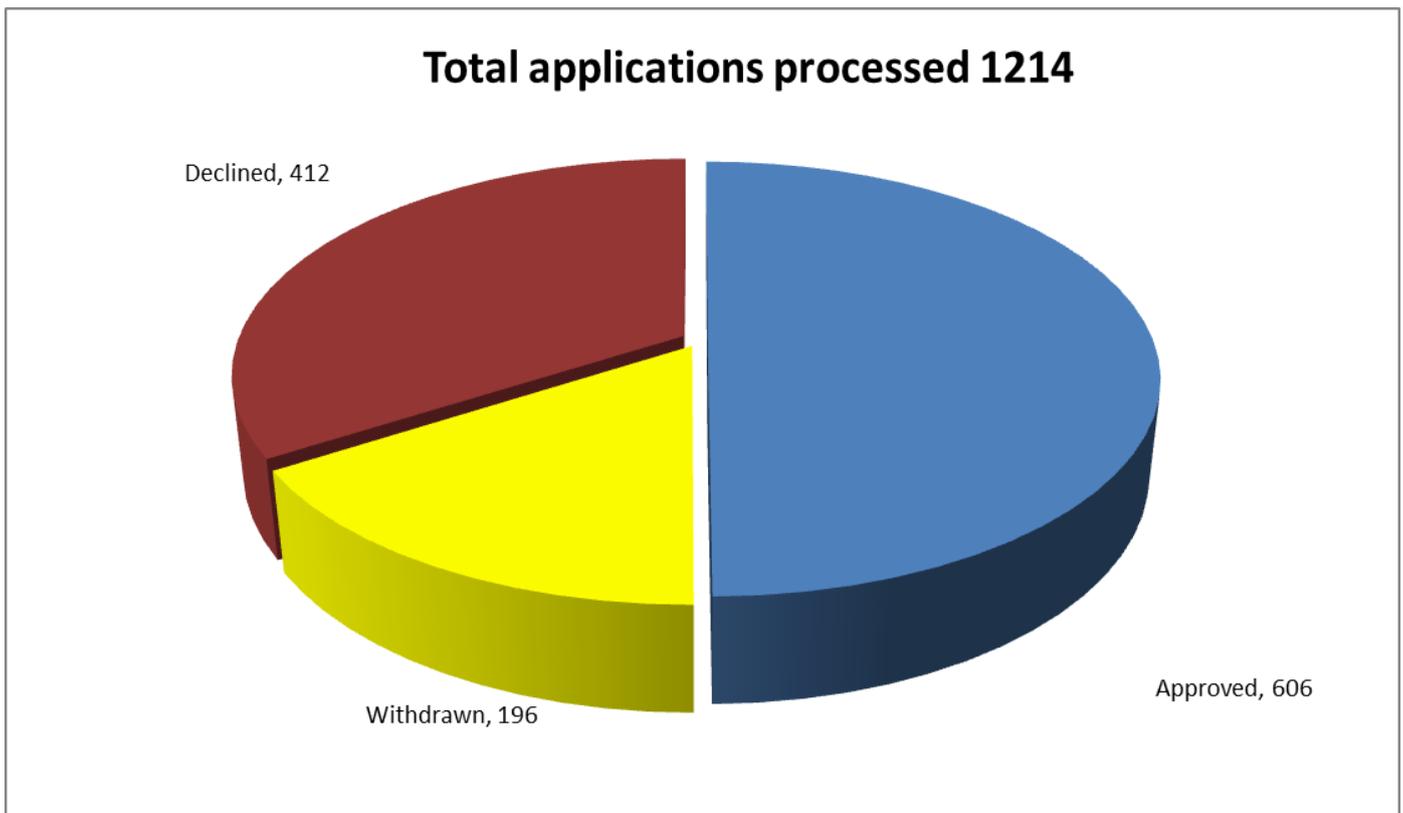
As at 30th June 2015, 606 micro-enterprise applications have been supported resulting in loans totalling €9.303M being approved through the Microenterprise Loan Fund Scheme. This represents an approval rate of 50% of applications fully processed.

In total 1,256 applications have been received of which 1,214 have been fully processed. Of these 606 have been approved and 608 have been declined or applications withdrawn/deferred. Work-in –progress accounted for 42 applications.

Net impact on Jobs

Microfinance Ireland is supporting a total of 1,355 full-time equivalent jobs (net). This relates to 579 businesses, with 27 businesses supported having failed (none in Qrt. 2 2015)

See Business Failures page 9.



Applications by Quarter

Approvals by Quarter **

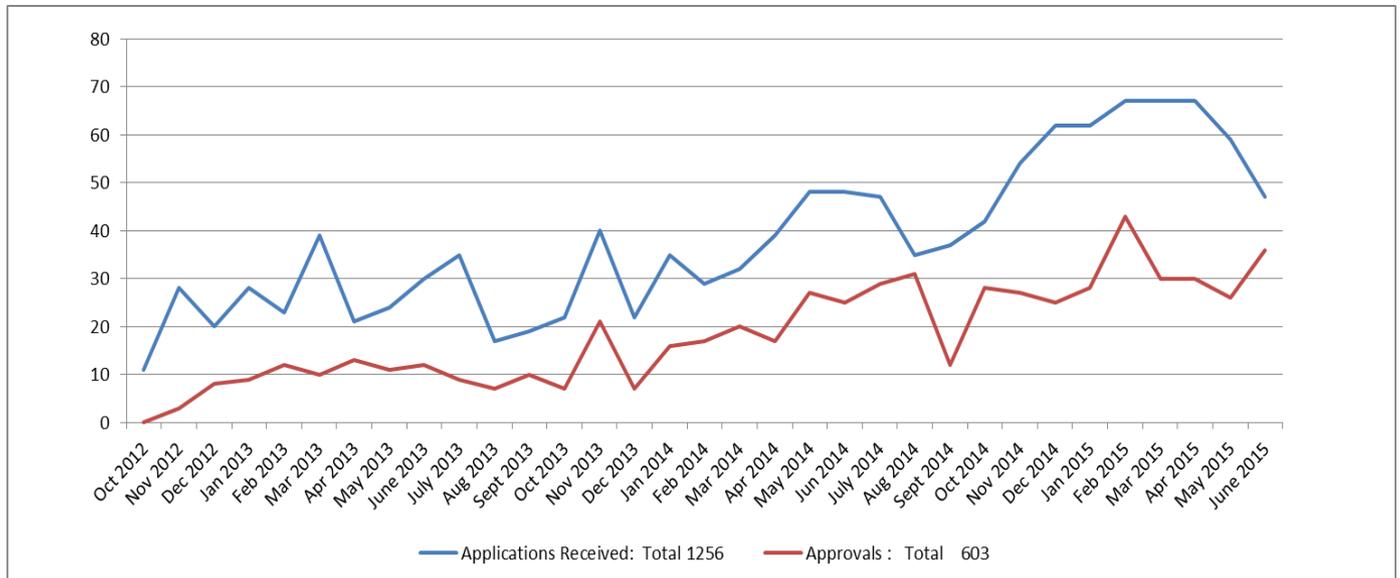
| Total Applications Received | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------|--|--|---|---|---|--|---|---|---|--|--|---------|-----|---------|-----|---------|-----|---------|-----|--------|-------------|-----------------|
| | Launch Phase (1 st Oct 2012 to 31st March 2013) | Q2 2013 (1 st April 2013 to 30th June 2013) | Q3 2013 (1 st July 2013 to 30 th Sept 2013) | Q4 2013 (1 st Oct 2013 to 31 st Dec 2013) | Q1 2014 (1 st Jan 2014 to 31 th March 2014) | Q2 2014 (1 st April 2014 to 30th June 2014) | Q3 2014 (1 st July 2014 to 30th Sept 2014) | Q4 2014 (1 st Oct 2014 to 31 th Dec 2014) | Q1 2015 (1 st Jan 2015 to 31 th Mar 2015) | Q2 2015 (1 st April 2015 to 30th June 2015) | Total (1 st October 2012 to 30th June 2015) | | | | | | | | | | | |
| Total Applications | 149 | €2.784M | 75 | €1.297M | 71 | €1.288M | 84 | €1.374M | 96 | €1.642M | 135 | €2.368M | 119 | €1.852M | 158 | €2.589M | 196 | €3.252M | 173 | 2.799M | 1256 | €21.245M |

| Total Applications Processed to Final Conclusion | | | | | | | | | | | |
|--|---|--|--|---|---|--|---|---|--|--|--|
| | Launch Phase (1 st October 2012 to 31st March) | Q2 2013 (1 st April 2013 to 30th June 2013) | Q3 2013 (1 st July 2013 to 30 th September 2013) | Q4 2013 (1 st October 2013 to 31 st December) | Q1 2014 (1 st January 2014 to 31 st March 2014) | Q2 2014 (1 st January 2014 to 30th June 2014) | Q3 2014 (1 st July 2014 to 30th Sept 2014) | Q4 2014 (1 st Oct 2014 to 31 th Dec 2014) | Q1 2015 (1 st Jan 2015 2014 to 31 th Mar 2015) | Q2 2015 (1 st April 2015 2014 to 30th June) | Total (1 st October 2012 to 30th June 2015) |
| Applications Process | 113 | 88 | 76 | 71 | 91 | 127 | 118 | 147 | 193 | 190 | 1214 |
| Approved | 43 | 35 | 26 | 35 | 53 | 69 | 72 | 80 | 101 | 92 | 606 |
| Approval Rate | 38% | 40% | 34% | 49% | 58% | 54% | 61% | 54% | 52% | 48% | 50% |
| Approved (€'000) | 700 | 543 | 347 | 569 | 863 | 1119 | 996 | 1,181 | 1,506 | 1,479 | 9,303 |

** 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 st October 2012 to 31 st March) | Q2 2013 (1 st April 2013 to 30 th June 2013) | Q3 2013 (1 st July 2013 to 30 th September 2013) | Q4 2013 (1 st October 2013 to 31 st December) | Q1 2014 (1 st January 2014 to 31 st March 2014) | Q2 2014 (1 st March 2014 to 30 th June 2014) | Q3 2014 (1 st July 2014 to 30 th Sept 2014) | Q4 2014 (1 st Oct 2014 to 31 st Dec 2014) | Q1 2015 (1 st Jan 2015 2014 to 31 st Mar 2015) | Q2 2015 (1 st April 2015 2014 to 30 th June) | Total (1 st October 2012 to 30 th June 2015) |
| 1 | 11 | 17 | 19 | 13 | 25 | 35 | 40 | 41 | 60 | 46 | 307 |
| 2-3 | 22 | 13 | 5 | 16 | 19 | 21 | 20 | 26 | 28 | 28 | 198 |
| 4-5 | 9 | 3 | 1 | 3 | 3 | 7 | 7 | 5 | 9 | 6 | 53 |
| 6-9 | 2 | 3 | 2 | 3 | 6 | 6 | 5 | 8 | 4 | 12 | 51 |
| 10-50 | | | | | | | | | | | 0 |
| Prior period adj | -1 | -1 | -1 | 0 | 0 | | | | | | -3 |
| Total No. of Loans | 43 | 35 | 26 | 35 | 53 | 69 | 72 | 80 | 101 | 92 | 606 |
| Average No. of Jobs per Loan | 2.6 | 2.1 | 1.5 | 2.5 | 2.5 | 2.3 | 2.1 | 1.9 | 1.4 | 1.5 | 2.3 |

Activity by Loan Size

From 1st October 2012 to 30th June 2015, loans were granted in the following size range.

| Euro | No. of Loans |
|---------------------------------|-----------------|
| ≤25k | 207 |
| ≤20k | 78 |
| ≤15k | 92 |
| ≤10k | 118 |
| ≤5k | 111 |
| Total | 606 |
| Average loan size €15.4K | |

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

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, 590 of our loan applications were received from the LEOs accounting for 47% of all of our applications. Of these applications received from the LEOs, 564 were fully processed by the 30th June 2015 resulting in 318 being approved giving an approval rate of 56%. The LEOs also support MFI applicants with their application, relevant business training and both pre and post loan mentoring assistance.

Direct Applications

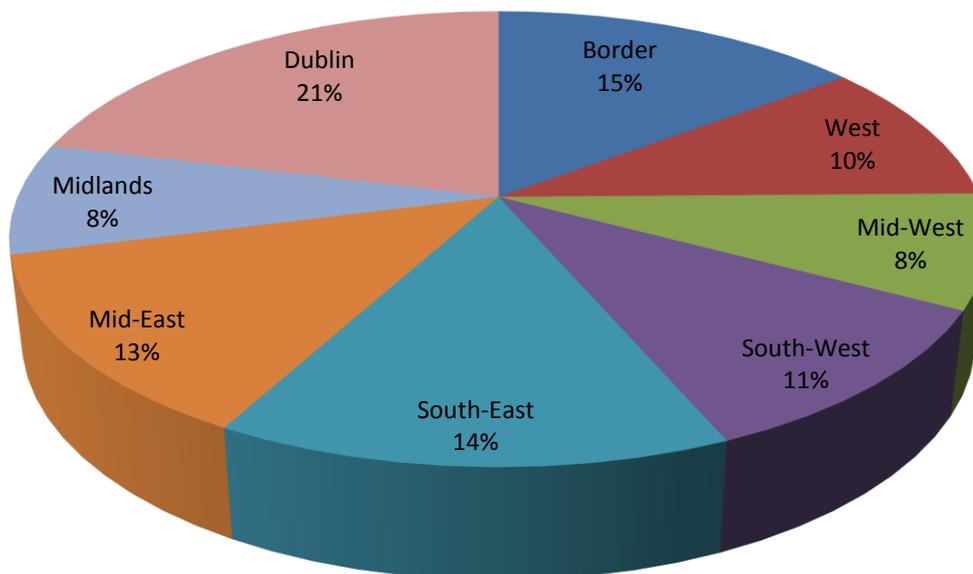
While the LEOs remain our primary referral partners there has been a steady flow of applications direct from enterprises, both existing and new businesses, seeking credit. In the period from inception Microfinance Ireland has received 666 applications directly which equates to 53% of all applications. Of the applications received directly, 650 were fully processed by the 30th June 2015 resulting in 288 being approved giving an approval rate of 44%.

Analysis of Approvals

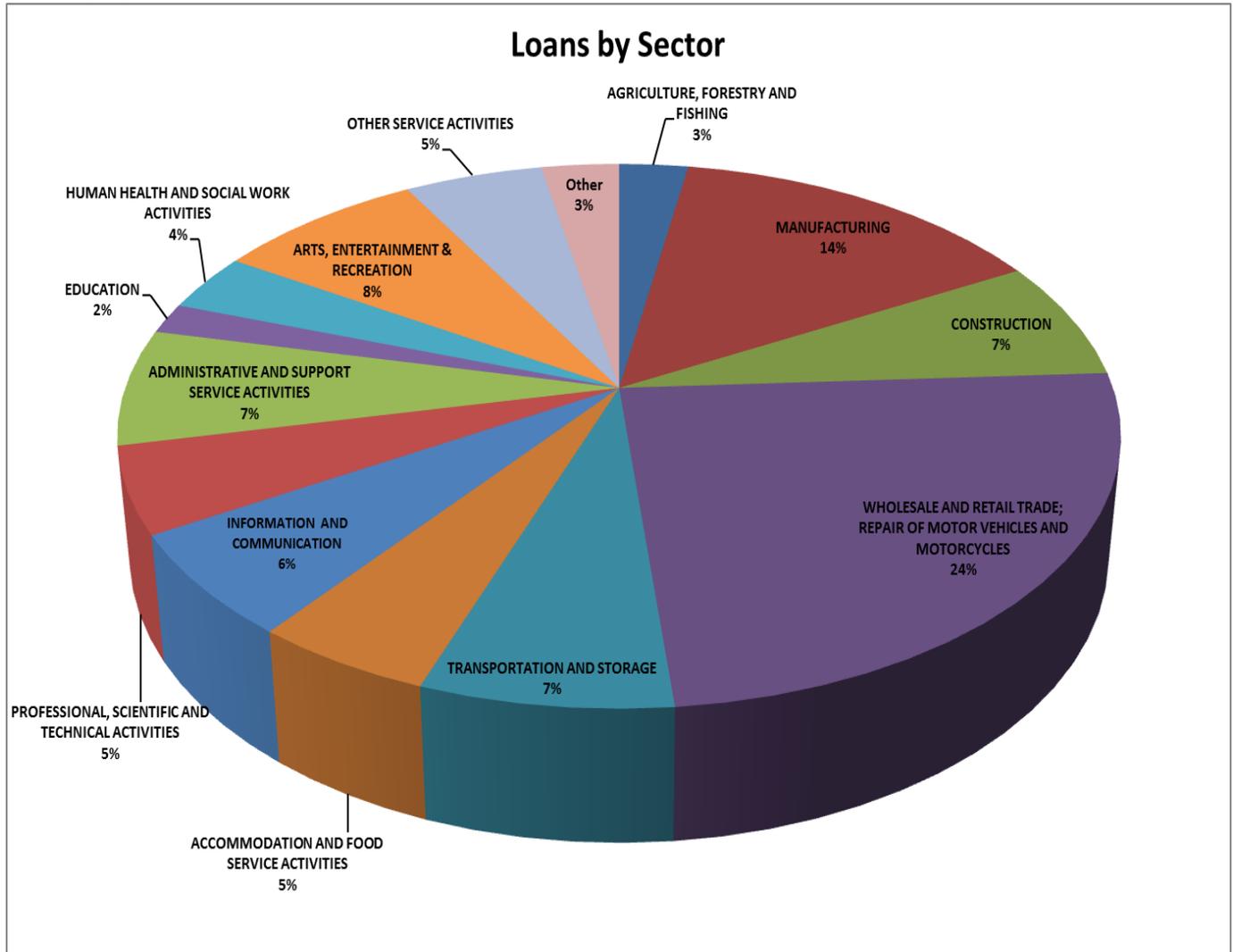
Geographical Spread - from 1st October 2012 to 30th June 2015

| Geographical Spread | | | | | |
|-----------------------------------|----------|----------|-----------|----------|----------|
| County | Received | Approved | County | Received | Approved |
| Dublin | 286 | 128 | Clare | 34 | 19 |
| Cork | 114 | 50 | Monaghan | 33 | 12 |
| Limerick | 64 | 30 | Mayo | 33 | 22 |
| Meath | 62 | 32 | Westmeath | 32 | 16 |
| Tipperary | 50 | 20 | Laois | 32 | 17 |
| Wexford | 49 | 24 | Roscommon | 28 | 15 |
| Galway | 45 | 24 | Donegal | 25 | 15 |
| Kildare | 45 | 22 | Sligo | 24 | 18 |
| Cavan | 45 | 26 | Carlow | 22 | 14 |
| Wicklow | 43 | 25 | Kilkenny | 22 | 8 |
| Waterford | 38 | 21 | Longford | 22 | 6 |
| Kerry | 36 | 15 | Leitrim | 20 | 7 |
| Louth | 35 | 11 | Offaly | 17 | 9 |
| Total Applications Received: 1256 | | | | | |
| Total Applications Approved: 606 | | | | | |

Approved Loans By Regions



Activity by Sector



Start-Up/Existing

Of the 606 loans approved, 356 were to start-up enterprises (<18 months) and 250 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 72 appeals from inception to 30th June 2015 and 13 of these cases have been approved on appeal (18%). These figures are included in the overall approval figures.

Activity by Borrower Type

- 243 microfinance loans were granted to Private Limited Companies
- 329 Sole Traders were granted a microfinance loan
- 34 Microfinance loans were granted to Partnerships

Gender Breakdown

Of the total applications received 76% (956) were from male promoters and 24% (300) from female promoters. Of the loans approved as at 30th June 2015, 73% (441) were to male promoters while 27% (165) were to female promoters.

There were 11 loans approved to young entrepreneurs comprising almost 2% of all the applications approved to date.

| Approved Applications | Volume | Value |
|---------------------------------|--------|---------|
| Total Approved | 606 | €9.303M |
| Start-Up (<18 months) | 356 | |
| Existing | 250 | |
| No. of Ltd. Co. | 243 | |
| No. of Sole Traders | 329 | |
| No. of Partnerships | 34 | |
| Female | 165 | |
| Male | 441 | |
| Youth (18-25 years old) | 11 | |

Business Failures

Up to end June 2015, 27 businesses of the 606 supported 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 risk of failure.

ADVERTISING, PROMOTION AND COMMUNICATION OF THE MFI LOAN FUND SCHEME 1st October to 30th June 2015

Microfinance Ireland has continued to increase its communications and marketing activity as a key driver leading to increased levels of business activity. The majority of activity is undertaken by way of participation in promotional activities which highlight the role of MFI in bringing valuable additionality to microenterprises who struggle to meet the requirements of mainstream lenders.

During the first 6 months of 2015 a revised marketing strategy and a digital marketing plan have been developed and are now being implemented and they take into account the outcomes of the DJEI review of MFI's first two years of operation.

Stakeholder engagement is considered a key activity and a series of meeting took place with Business Groupings, Local Enterprise bodies and Political representatives. These engagements allow for both feedback and dissemination opportunities.

A short radio advertising campaign was run in the first quarter and the results clearly demonstrate the effectiveness of this tool. While this mode of advertising can be expensive it is building a wider awareness of MFI and leads to increased application rates. The use of radio will be kept under review and only used where it has clearly measurable positive outcomes.

Digital marketing activity has been increased significantly and the use of social media, Twitter, Facebook and Youtube and LinkedIn are key components of the digital marketing mix. A range of case studies and video blogs are now available and Microfinance Ireland has its own channel on Youtube

Many of the Local Enterprise Offices held workshops and seminars on finance for clients and presentations were made throughout the Country hosted by the LEO network. A pilot scheme of developing County based MFI marketing plan is under discussion with the LEO network and is intended to direct marketing spend and activity in cooperation with the Local Enterprise Offices.

The State bodies supporting SME group coordinated by the Department of the Taoiseach also participated in a number of events such as Taking Care of Business, The Smart Money Show, FundSME, and these events were well attended.

Collaborations between MFI and other enterprise agencies and bodies with a community focus have also been initiated. Initiatives involving the Design and Craft Council, GAA, Bord BIA, Teagasc, Startup Ireland, FOROIGE, VODAFONE, Credit Unions and others are underway. An interesting partnership was launched with the IGNITE academy , a labour market initiative under the Governments Momentum programme, to bring long term unemployed people into entrepreneurship, with MFI providing a special loan product in support ISME, under its Skillnet programme, held a series of regional events which promoted a wide range of alternative finance options and MFI attended all of these events

A modest level of advertising was also undertaken in print media. This mainly focused on trade and niche publishing journals. They include the Chambers Ireland publications, Accounting bodies magazines, The Farmers Journal.

MFI also took the opportunity of having a stand at the SFA annual conference which was attended by several hundred small business owners.

Following the publication of the DJEI review much greater emphasis has been placed on the need for a bank referral process for would be applicants. A significant element of any referral programme will be the inclusion of an effective marketing and communications package. Discussions are underway with the three main banks to agree on promotional and communications measures that will promote the availability of, and knowledge of MFI options.

Monthly Web Hits and Applications Received

