

Microfinance Ireland

Report on The Microenterprise Loan Fund Scheme as at 30th September 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 was established as 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 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 September 2017

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

- ✓ **3,173 Applications received**
- ✓ **€21.0M Value of loans approved**
- ✓ **3,336 Net jobs supported in 1,456 micro-enterprises**
- ✓ **46% Approval rate**
- ✓ **€17.7 Value of loans drawn**
- ✓ **1,258 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 (23%)	MANUFACTURING (12%)
CONSTRUCTION (9%)	ARTS, ENTERTAINMENT AND RECREATION (8%)
ACCOMMODATION & FOOD SERVICE ACTIVITIES (7%)	ADMINISTRATION & SUPPORT SER. ACTIVITIES (6%)
OTHER SERVICES (6%)	TRANSPORT/STORAGE (6%)
PROFESSIONAL, SCIENTIFIC & TECH ACTIVITIES (6%)	INFORMATION AND COMMUNICATION (5%)
AGRICULTURE, FORESTRY & FISHING (4%)	EDUCATION (3%)
HUMAN, HEALTH AND SOCIAL WORK (3%)	OTHER (2%)

Assessing applications efficiently:

- ✓ **3,137 Applications processed to full assessment**
- ✓ **36 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and Performance of the Fund during Quarter 3 2017

The volume of applications received in 2017 continues to exceed performance in previous years. However, the business has experienced, since the start of the year, a significant reduction in the rate of application growth. Approval rates are marginally lower than for the same period in 2016. The improving trends in credit quality continued through quarter 3.

During Q3 2017, Microfinance Ireland (MFI) continued to focus on advertising, promotion and engagement across a broad range of marketing activities.

There was a strong focus on digital marketing and social media, to communicate and engage with website traffic with steady progress being achieved during the quarter. A new marketing campaign “Orla’s Café” was developed which will form the basis of an extensive digital advertising campaign in Q4.

In addition, an attractive loan offering targeted at participants of the Irish Best Young Entrepreneur (IBYE) competition was launched in September and was actively promoted with digital advertising and supported with PR through Department of Business, Enterprise and Innovation.

MFI staff attended a number of events in September arranged by Department of Employment Affairs & Social Protection for Jobs Week as well as business events organised by Kilkenny LEO, DIT Grangegorman and attendance at the National Ploughing Championships.

MFI also continued to engage with all referral partners on an ongoing basis. Quarterly meeting held with the Local Enterprise Offices and various Presentations/ Briefings undertaken in AIB, Ulster Bank and Sligo Area Partnership with a view to maintaining a consistent flow of referrals/applications.

The business continues to seek out and meet other potential referral sources such as Department of Employment Affairs and Social Protection, Credit Unions and financial services companies.

To further professionalise and optimise our referrals and business queries, the company has commenced utilising Hubspot (an integrated Lead Management system). By the end of Q3, there were 1,000+ contacts under active management on the system.

Key performance indicators for Quarter 3 in 2017:

✓	207	Applications received
✓	€1.4M	Value of loans approved
✓	111	Loans approved
✓	191	Net Jobs supported in 111 micro-enterprises
✓	50%	Approval rate
✓	€1.1M	Value of loans drawn
✓	86	loans drawn
✓	Average Loan size of €13K	
✓	85% approvals granted to businesses employing 3 people or fewer	
✓	57% of approvals granted to start-ups (in business for less than 18 months)	
✓	Wide geographic coverage: 19% of loans granted to Dublin, 81% remainder of Ireland	

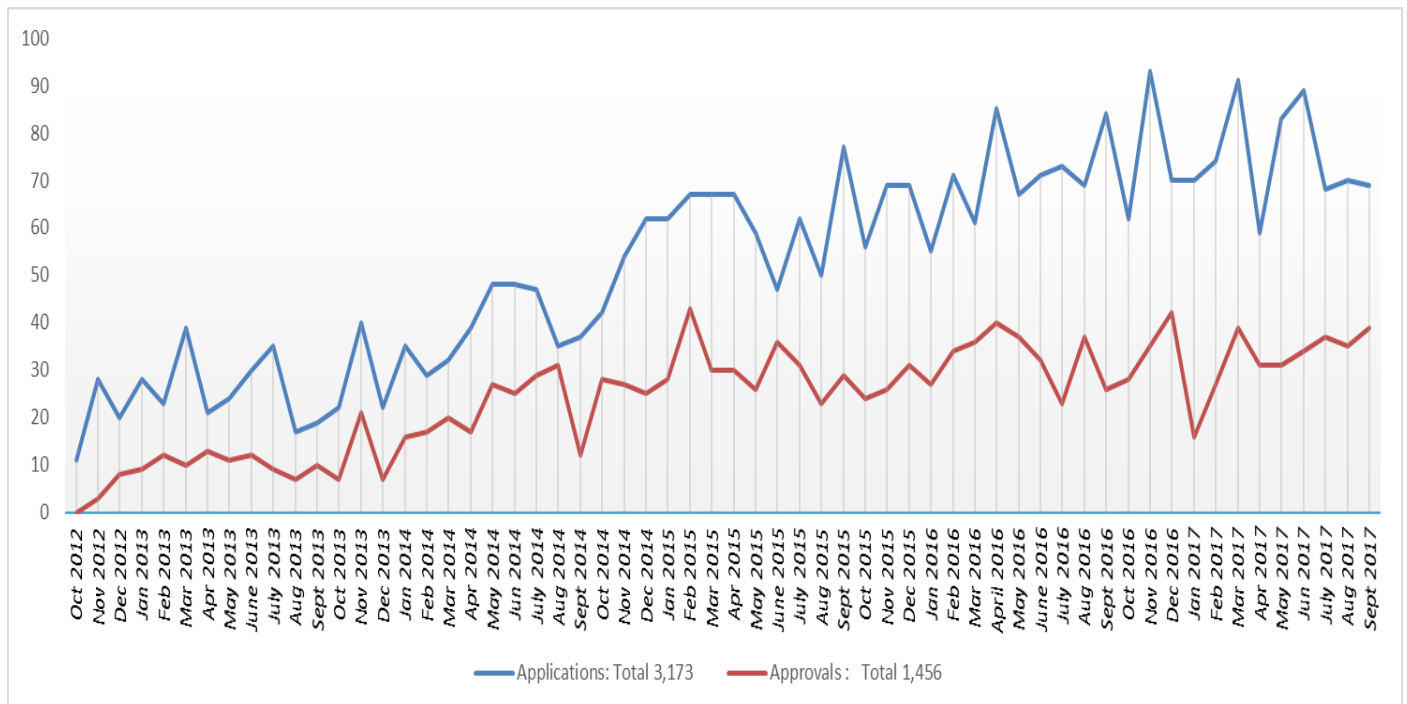
Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

Applications by Quarter

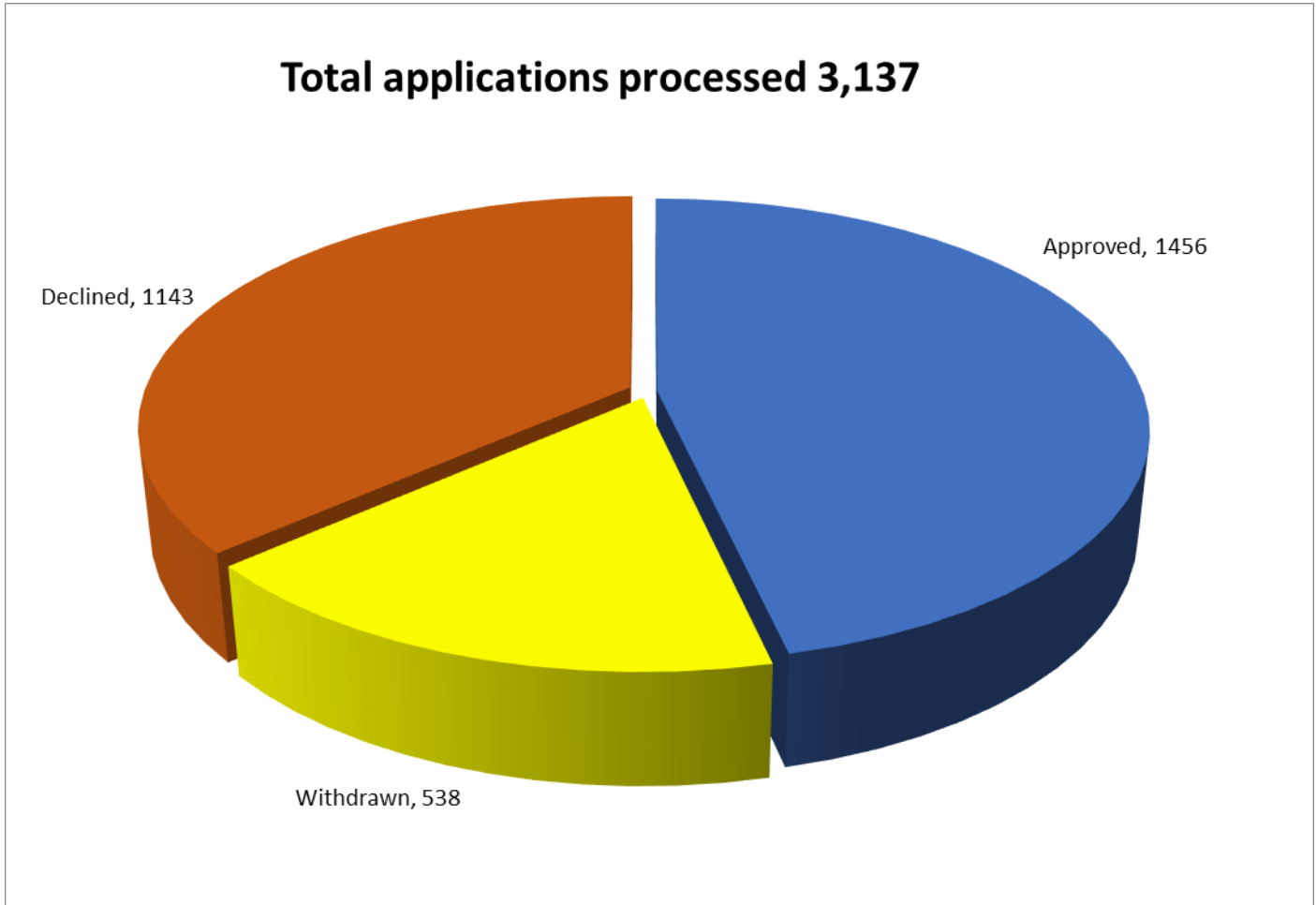
Total Applications Received																						
	2013		2014		2015		Q1 2016		Q2 2016		Q3 2016		Q4 2016		Q1 2017		Q2 2017		Q3 2017		Total (1st October 2012 to 30th September 2017)	
Total Applications	379	€6.739M	508	€8.451	752	€12.317M	187	€2.965M	223	€3.579M	226	€3.719M	225	€3.304M	235	€3.450M	231	€3.514M	207	€2.849M	3,173	€50.887M
Total Applications Processed																						
	2013		2014		2015		Q1 2016		Q2 2016		Q3 2016		Q4 2016		Q1 2017		Q2 2017		Q3 2017		Total (1st October 2012 to 30th September 2017)	
Applications Processed		348		483		743		201		215		237		249		211		230		220		3137
Approved		139		274		357		97		109		86		105		82		96		111		1456
Approval Rate		40%		57%		48%		48%		51%		36%		42%		39%		42%		50%		46%
Approved (€'000)		2,159		4,159		5,378		1,387		1,520		1,163		1,322		1,095		1,392		1,439		21,014

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	Q2 2017	Q3 2017	Total (1st October 2012 to 30th September 2017)
1	60	141	187	52	67	51	65	39	43	52	757
2-3	56	86	97	25	24	17	25	28	34	42	434
4-5	16	22	33	11	11	15	8	11	11	9	147
6-9	10	25	40	9	7	3	7	4	8	8	121
10											
Prior period adj	-3	0									-3
Total No. of Loans	139	274	357	97	109	86	105	82	96	111	1,456
Average No. of Jobs per Loan	2.6	2.2	2.4	1.9	1.7	1.6	2.2	1.7	2.1	1.7	2.3

Approvals by Loan Size

From 1st October 2012 to 30th September 2017, loans were granted in the following size range.

Euro	No. of Loans
≤25k	432
≤20k	162
≤15k	243
≤10k	276
≤5k	343
Total	1,456
<i>Average loan size €14.4K</i>	

Purpose for which Microfinance Loans were granted

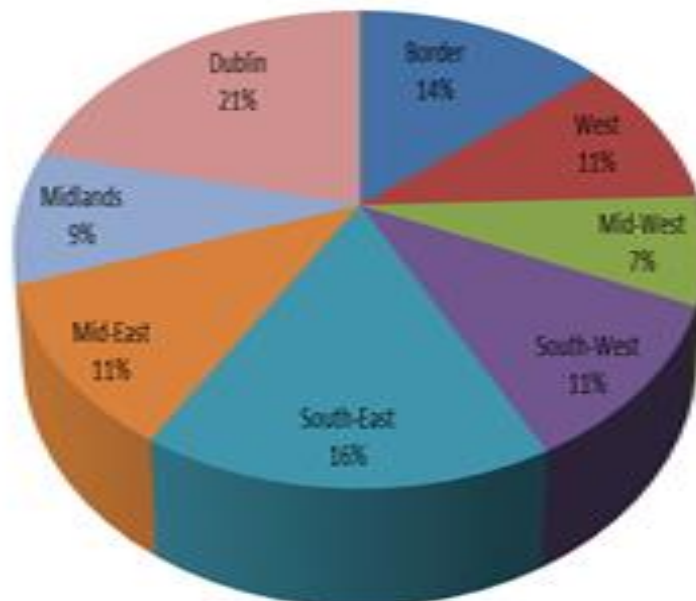
Loans were granted for the following purposes:

- 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 September 2017

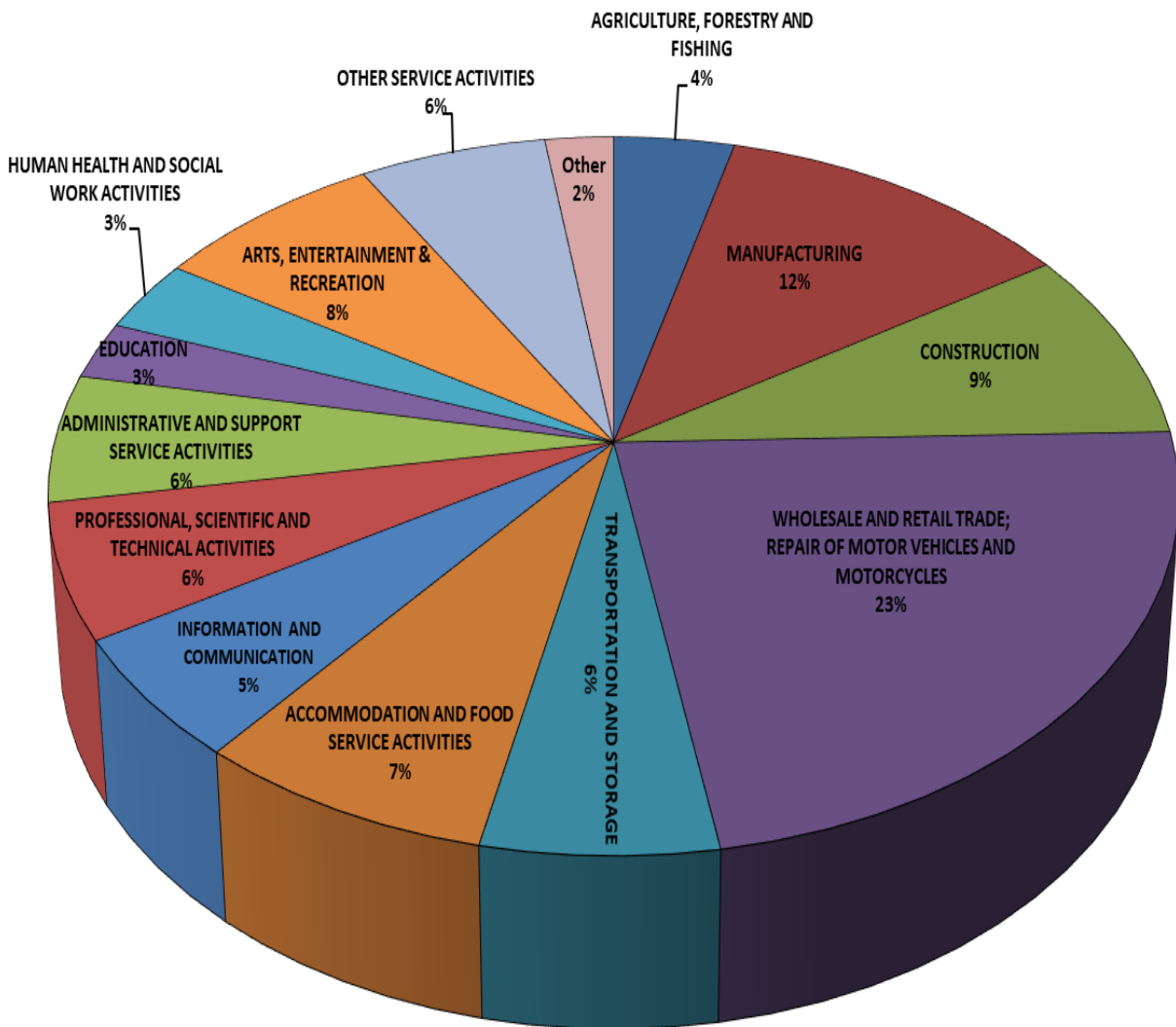
Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	698	310	Louth	91	33
Cork	257	109	Mayo	89	51
Meath	155	63	Westmeath	86	40
Tipperary	146	64	Longford	72	34
Limerick	146	68	Laois	72	30
Galway	142	68	Donegal	71	32
Wexford	128	70	Sligo	62	41
Waterford	123	55	Roscommon	61	31
Kildare	113	54	Offaly	59	26
Wicklow	103	44	Carlow	58	27
Cavan	98	47	Kilkenny	55	26
Clare	94	48	Monaghan	53	21
Kerry	91	38	Leitrim	50	26
Total Applications Received: 3,173 Total Applications Approved: 1,456					

Approved Loans By Regions



Approval by Business Sector

Loans by Sector



Demographical Analysis

Borrower's legal status

- 522 Microfinance loans were granted to Private Limited Companies
- 826 Sole Traders were granted a microfinance loan
- 108 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 1,456 loans approved, 820 were start-up enterprises (<18 months) and 636 to existing enterprises.

Gender Breakdown

Of the total applications received 75% (2382) were from male promoters and 25% (791) from female promoters. Of the loans approved as at 30th September 2017, 74% (1077) were to male promoters while 26% (379) were to female promoters.

Youths

There were 35 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Numbers	Value €
Total Approved	1,456	21.014M
Start-Up (<18 months)	820	
Existing	636	
No. of Ltd. Co.	522	
No. of Sole Traders	826	
No. of Partnerships	108	
Female	379	
Male	1077	
Youth (18-25 years old)	35	

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 180 appeals from inception to 30th September 2017 and 32 of these cases have been approved on appeal (18%). These figures are included in the overall approval figures.

Business Failures

Up to end September 2017, 157 businesses of the 1,258 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, 1,517 of our loan applications were received from the LEOs accounting for 48% of all of our applications. Of these applications received from the LEOs, 1,501 were fully processed by the 30th September 2017 resulting in 777 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 38 applications submitted this year to date, 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.

While ILDN volumes are low, when combined with LEO applications, 30% of our applications are now coming from recipients of BTWEA.

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 1,656 applications via these channels which equates to 52% of all applications. Of these applications, 1,636 were fully processed by the 30th September 2017 resulting in 679 being approved giving an approval rate of 42%.

Bank Channel

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, 335 referrals were received. These referrals resulted in 68 loan applications between the 3 banks. This relationship is reviewed regularly in order to ensure a consistent flow of leads and applications from each Bank on an ongoing basis.