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## Microfinance Ireland

# Report on The Microenterprise Loan Fund Scheme as at 31<sup>st</sup> December 2017

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An Roinn Gnó, Fiontar agus Nuálaíochta  
Department of Business, Enterprise and Innovation



Oifig Fiontair Áitiúil   
Local Enterprise Office

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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 Business 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 31<sup>st</sup> December 2017

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

- ✓ **3,441 Applications received**
- ✓ **€22.6M Value of loans approved**
- ✓ **3,952 Net jobs supported in 1,567 micro-enterprises**
- ✓ **46% Approval rate**
- ✓ **€19.1M Value of loans drawn**
- ✓ **1,353 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 <b>(22%)</b>	MANUFACTURING <b>(11%)</b>
CONSTRUCTION <b>(9%)</b>	ACCOMMODATION & FOOD SERVICE ACTIVITIES <b>(8%)</b>
ARTS, ENTERTAINMENT AND RECREATION <b>(7%)</b>	OTHER SERVICES <b>(7%)</b>
ADMINISTRATION & SUPPORT SER. ACTIVITIES <b>(6%)</b>	TRANSPORT/STORAGE <b>(6%)</b>
PROFESSIONAL, SCIENTIFIC & TECH ACTIVITIES <b>(6%)</b>	INFORMATION AND COMMUNICATION <b>(5%)</b>
AGRICULTURE, FORESTRY & FISHING <b>(4%)</b>	HUMAN, HEALTH AND SOCIAL WORK <b>(4%)</b>
EDUCATION <b>(3%)</b>	OTHER <b>(2%)</b>

### Assessing applications efficiently:

- ✓ **3,403 Applications processed to full assessment**
- ✓ **38 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

## Performance in 2017

2017 was another year of strong growth for Microfinance Ireland, highlighting the ongoing need for the provisions of financial supports for this vulnerable but key microenterprise sector in Ireland.

It was a record year across a range of key performance measures:

- The number of applications received (up 9%),
- Loans approved €5.5m to 400 businesses
- €4.9m in loans drawdown by 358 businesses.
- Net number of job created or sustained up by 1,141 to 3,952.
- In addition, strong progress made in improving credit quality.

Quarter 4 2017 was exceptionally strong and a record quarter for the business across all its key performance indicators. Following a positive 1st Quarter, growth levels slowed in Q2 and Q3, however there was significant growth in Q4 resulting in a record number of applications being achieved for the year. Despite approval rates in percentage terms being marginally lower in 2017 (43% v 44% in 2016), the number and value of loans approved increased.

Much of this strong performance is due to continued growth in brand awareness due to a wide range of PR, events and both digital and traditional marketing over the year, supported by the introduction of an enhanced lead management process during the year. There are also indications in the market that credit demand increased in the last quarter while bank declines rate in the micro credit sector increased, thus creating increased demand for our services.

Other key milestones in 2017 include:

- In January, the business received a second €10m of grant funding from the Irish Government.
- In March, the business achieved certification of compliance with the European Commission's European Code of Good Conduct for Microcredit Provision.
- In December, the European Investment Fund (EIF) signed a second agreement with Microfinance Ireland (MFI) under the European Commission's [EU Programme for Employment and Social Innovation](#) (EaSI) following the first one signed in 2015. As a result of the EU support, the EaSI guarantee provided by the EIF will enable MFI to support an additional EUR 30 million in loans to micro-borrowers including migrants and entrepreneurs over the next five years

## Promotion and Performance of the Fund during Quarter 4 2017

During Q4 2017, 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.

An attractive loan offering targeted at participants of the Irish Best Young Entrepreneur (IBYE) competition was actively promoted with digital advertising and supported with PR throughout the Quarter.

MFI marked 'European Microfinance Day' in October with a comprehensive social media campaign to highlight the importance of microfinance as a means of supporting small businesses who may be having difficulties in accessing finance

MFI staff attended a number of events during the Quarter most notably the Taking Care of Business event organised by the Department of Business, Enterprise & Innovation in Dublin Castle which had over 700 small businesses in attendance.

MFI also continued to engage with all referral partners on an ongoing basis. A Quarterly meeting was held with the Local Enterprise Offices and ongoing engagements with AIB, BOI and Ulster Bank are continuing with a view to maintaining a consistent flow of referrals/applications.

In Q4, MFI became a member of Ireland's Smart Aging Exchange (ISAX) which is an independent network of businesses, academic institutions and government agencies fast tracking the R&D and commercialisation of solutions for the global ageing economy. Discussions are underway to see how MFI can leverage this network to promote its offering amongst mature entrepreneurs.

Quarter 4 2017 was a record quarter for Microfinance Ireland.

Key performance indicators for Quarter 4 in 2017:

✓	<b>268</b>	<b>Applications received</b>
✓	<b>€1.6M</b>	<b>Value of loans approved</b>
✓	<b>111</b>	<b>Loans approved</b>
✓	<b>616</b>	<b>Net Jobs supported in 111 micro-enterprises</b>
✓	<b>42%</b>	<b>Approval rate</b>
✓	<b>€1.4M</b>	<b>Value of loans drawn</b>
✓	<b>95</b>	<b>Loans drawn</b>
✓	Average Loan size of <b>€14K</b>	
✓	<b>82%</b> approvals granted to businesses employing <b>3 people or fewer</b>	
✓	<b>57%</b> of approvals granted to <b>start-ups</b> (in business for less than 18 months)	
✓	<b>Wide geographic coverage:</b> 21% of loans granted to Dublin, 79% remainder of Ireland	

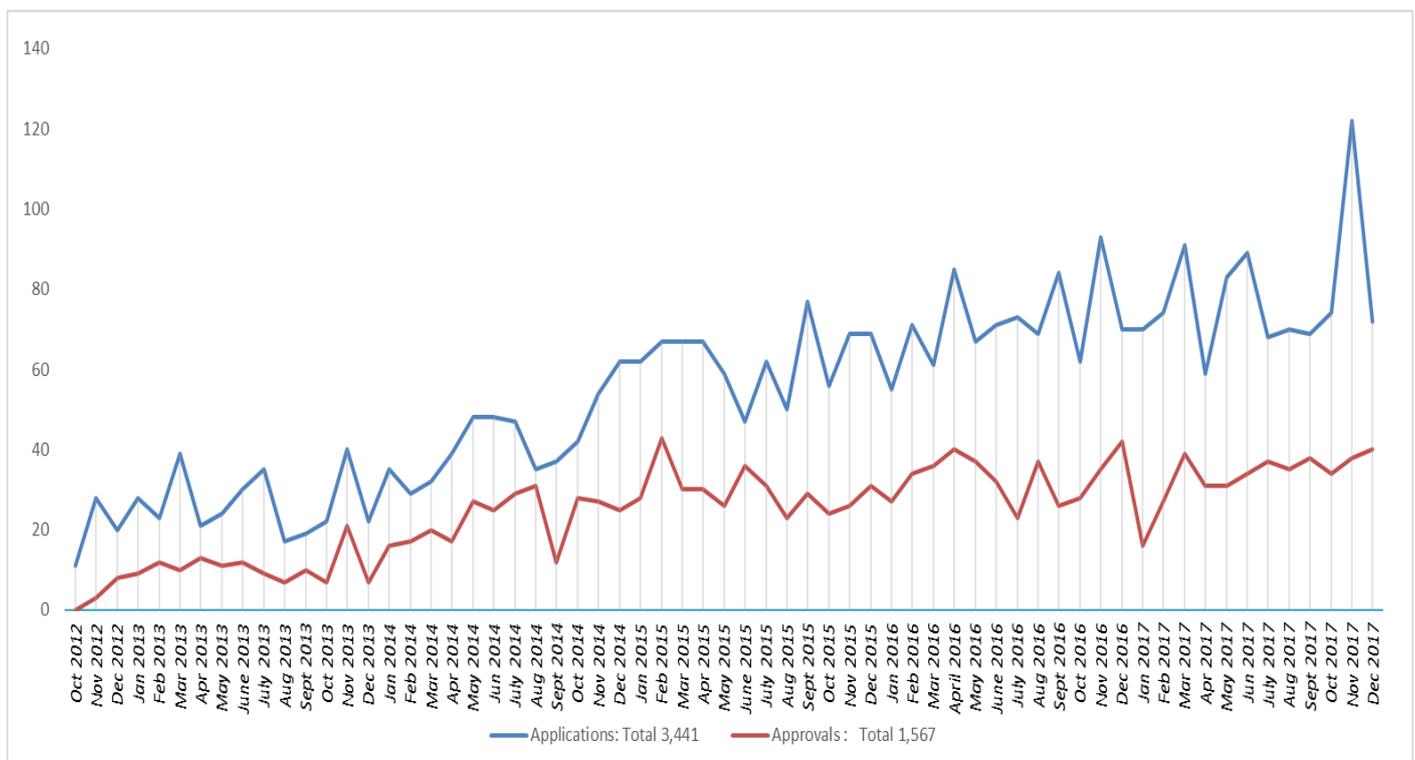
## Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

### Applications by Quarter

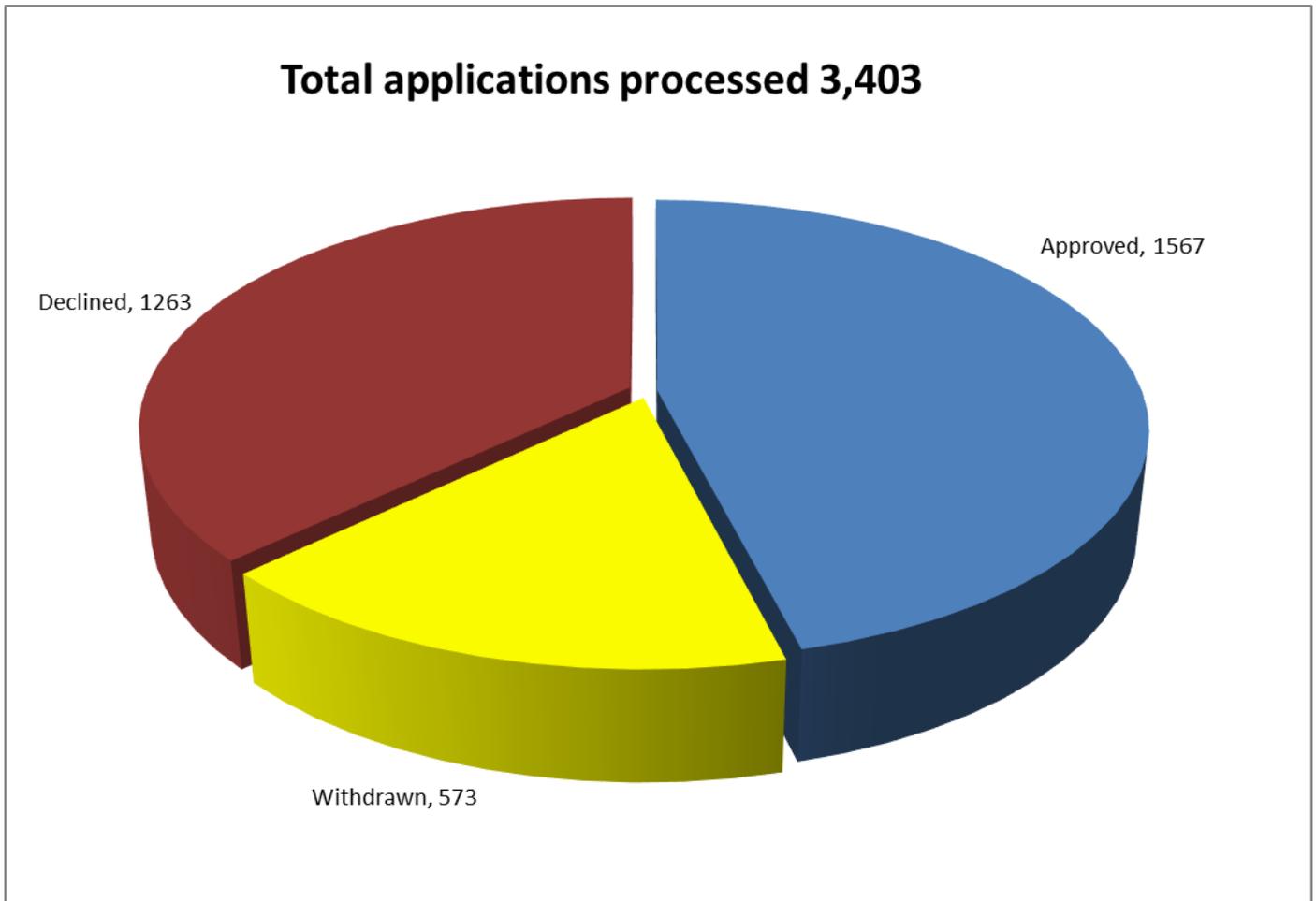
Total Applications Received																								
	2013		2014		2015		Q1 2016		Q2 2016		Q3 2016		Q4 2016		Q1 2017		Q2 2017		Q3 2017		Q4 2017		Total (1st October 2012 to 31st December 2017)	
<b>Total Applications</b>	379	€6.739M	508	€8.451	752	€12.317M	187	€2.965M	223	€3.579M	226	€3.719M	225	€3.304M	235	€3.450M	231	€3.514M	207	€2.849M	268	€4.093M	3,441	€54.980M
Total Applications Processed																								
	2013		2014		2015		Q1 2016		Q2 2016		Q3 2016		Q4 2016		Q1 2017		Q2 2017		Q3 2017		Q4 2017		Total (1st October 2012 to 31st December 2017)	
Applications Processed		348		483		743		201		215		237		249		211		230		220		266		3,403
Approved		139		274		357		97		109		86		105		82		96		111		111		1,567
Approval Rate		40%		57%		48%		48%		51%		36%		42%		39%		42%		50%		42%		46%
Approved (€'000)		2,159		4,159		5,378		1,387		1,520		1,163		1,322		1,095		1,392		1,439		1,577		22,591

### 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 jobs at time of approvals:

No. of Employees	Total Approvals Received												
	2013	2014	2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Total (1st October 2012 to 31st December 2017)	
1		60	141	187	52	67	51	65	39	43	52	61	818
2-3		56	86	97	25	24	17	25	28	34	42	30	464
4-5		16	22	33	11	11	15	8	11	11	9	6	153
6-9		10	25	40	9	7	3	7	4	8	8	14	135
10												0	0
Prior period adj		-3	0										-3
<b>Total No. of Loans</b>		139	274	357	97	109	86	105	82	96	111	111	1,567
<b>Average No. of Jobs per Loan</b>		2.6	2.2	2.4	1.9	1.7	1.6	2.2	1.7	2.1	1.7	2.1	2.5

## Approvals by Loan Size

From 1<sup>st</sup> October 2012 to 31<sup>st</sup> December 2017, loans were granted in the following size range.

Euro	No. of Loans
≤25k	465
≤20k	171
≤15k	266
≤10k	287
≤5k	378
<b>Total</b>	<b>1,567</b>
<i>Average loan size €14.4K</i>	

## Purpose for which Microfinance Loans were granted

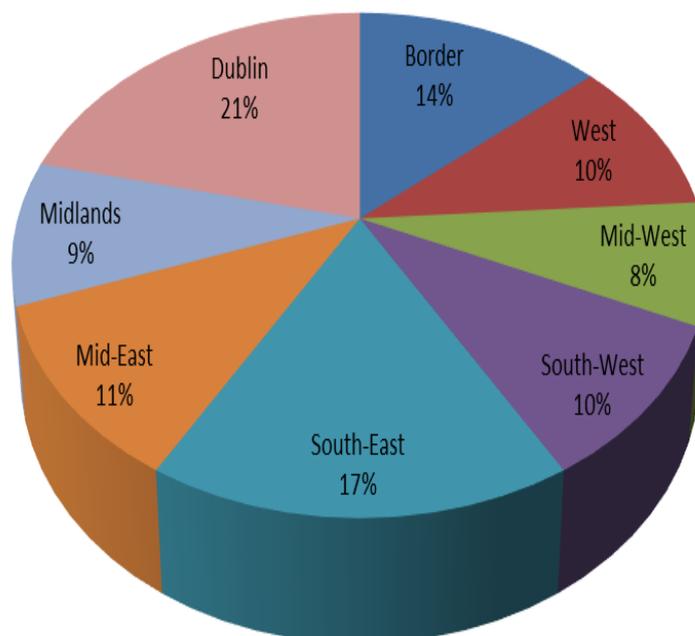
Loans were granted for the following purposes:

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

**Geographical Analysis of Approval – from 1<sup>st</sup> October 2012 to 31<sup>st</sup> December 2017**

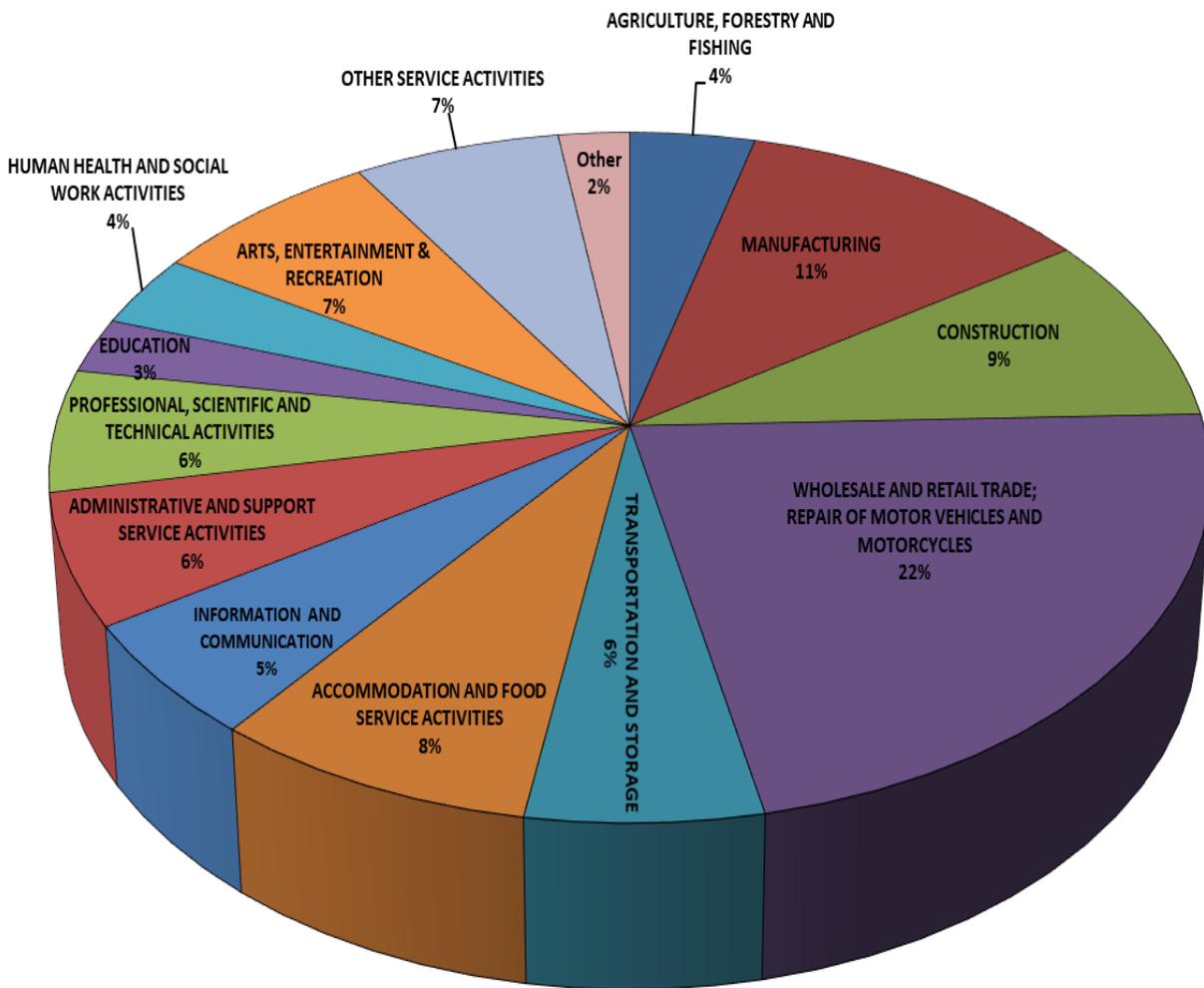
Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	765	333	Louth	97	35
Cork	270	116	Kerry	95	40
Meath	168	69	Mayo	93	53
Limerick	158	71	Laois	78	33
Galway	158	76	Longford	76	35
Tipperary	155	71	Donegal	83	40
Waterford	131	60	Offaly	68	32
Wexford	130	75	Sligo	67	43
Kildare	122	58	Roscommon	65	32
Wicklow	120	48	Carlow	60	27
Cavan	106	46	Kilkenny	60	28
Clare	103	51	Monaghan	57	21
Westmeath	102	45	Leitrim	54	29
<b>Total Applications Received: 3,441</b> <b>Total Applications Approved: 1,567</b>					

**Approved Loans By Regions**



Approval by Business Sector

Loans by Sector



## Demographical Analysis

### Borrower's legal status

- 564 Microfinance loans were granted to Private Limited Companies
- 883 Sole Traders were granted a microfinance loan
- 120 Microfinance loans were granted to Partnerships

### Start-Up/Existing

Of the 1,567 loans approved, 883 were to start-up enterprises (<18 months) and 684 to existing enterprises.

### Gender Breakdown

Of the total applications received 75% (2,577) were from male promoters and 25% (864) from female promoters. Of the loans approved as at 31<sup>st</sup> December 2017, 74% (1,154) were to male promoters while 26% (413) 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 €
<b>Total Approved</b>	1,567	22.591M
<b>Start-Up (&lt;18 months)</b>	883	
<b>Existing</b>	684	
<b>No. of Ltd. Co.</b>	564	
<b>No. of Sole Traders</b>	883	
<b>No. of Partnerships</b>	120	
<b>Female</b>	413	
<b>Male</b>	1,154	
<b>Youth (18-25 years old)</b>	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 188 appeals from inception to 31<sup>st</sup> December 2017 and 33 of these cases have been approved on appeal (18%). These figures are included in the overall approval figures.

## **Business Failures**

Up to end December 2017, 212 businesses of the 1,353 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 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, 1,599 of our loan applications were received from the LEOs accounting for 46% of all of our applications. Of these applications received from the LEOs, 1,587 were fully processed by the 31<sup>st</sup> December 2017 resulting in 824 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 48 applications submitted for the year to December 2017, 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.

### **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 1,842 applications via these channels which equates to 54% of all applications. Of these applications, 1,816 were fully processed by the 31<sup>st</sup> December 2017 resulting in 743 being approved giving an approval rate of 41%.

### **Bank Channel**

The bank channel, consisting of Bank of Ireland, AIB & Ulster Bank, is referring growing numbers of introductions to Microfinance Ireland. In the 12 months to December 2017, 429 referrals were received. These referrals resulted in 88 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.