

Microfinance Ireland

Report on The Microenterprise Loan Fund Scheme as at 31st March 2018



An Roinn Gnó, Fiontar agus Nuálaíochta
Department of Business, 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 programmes 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 31st March 2018

As at end March 2018, Microfinance Ireland has been in business for five and a half years. In this time, it has delivered the following key results:

- ✓ **3,709 Applications received**
- ✓ **€23.9M Value of loans approved**
- ✓ **4,099 Net jobs supported in 1,663 micro-enterprises**
- ✓ **46% Approval rate**
- ✓ **€20.3M Value of loans drawn**
- ✓ **1,444 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 (22%)	MANUFACTURING (11%)
CONSTRUCTION (9%)	ACCOMMODATION & FOOD SERVICE ACTIVITIES (8%)
ARTS, ENTERTAINMENT AND RECREATION (7%)	OTHER SERVICES (7%)
ADMINISTRATION & SUPPORT SER. ACTIVITIES (6%)	TRANSPORT/STORAGE (6%)
PROFESSIONAL, SCIENTIFIC & TECH ACTIVITIES (6%)	INFORMATION AND COMMUNICATION (5%)
AGRICULTURE, FORESTRY & FISHING (4%)	HUMAN, HEALTH AND SOCIAL WORK (4%)
EDUCATION (3%)	OTHER (2%)

Assessing applications efficiently:

- ✓ **3,654 Applications processed to full assessment**
- ✓ **55 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and Performance of the fund in Quarter 1 2018

The record performance, in the last quarter of 2017, has continued into 2018, in terms of the number of applications received. This highlights the ongoing need for the provisions of financial supports for this vulnerable but very key microenterprise sector in Ireland.

This performance has been achieved due to the ongoing strong PR and marketing activities of the business and is set against a backdrop, on one hand, of suppressed credit demand in the country by micro-enterprises, thus reducing overall gross demand but, on the other hand, with reduced approval rates in the banking sector for micro-enterprises increasing the need for MFI services to businesses, unable to obtain finance through traditional commercial lenders.

Applications continue to be well spread geographically, with the majority continuing to be start-ups.

Quarter 1's performance:

- Application volumes for the quarter were very strong and are in line with our best ever quarter. These compare very favourably with the same quarter in 2017, being 14% ahead in terms of the number of applications received and 19% ahead of 2017 in value terms.
- The credit quality of new applications continues to be challenging, reducing our percentage rate of approvals, but due to the strong application flow, actual approvals volumes are 17% ahead of 2017 in the number of loans approved and 19% ahead in value terms.
- Loans totally €1.3m were approved in the quarter and through these approvals, 147 net jobs were sustained or created.
- Actual loans drawn down in the quarter at €1.28m is 10% ahead of 2017's quarter 1 performance.
- The business continues to work through 4 main delivery channels for applications, consisting of 3 channel partners; The Local Enterprise Office Network, the Irish Local Development Network, the main commercial banks in Ireland and a direct channel.
The direct channel continues to grow strongly and is now the largest delivery channel, represents 49% of business volumes in the quarter. The Bank Channel has also shown strong positive performance in the quarter.

Key performance indicators for Quarter 1 in 2018:

✓	268	Applications received
✓	€1.3M	Value of loans approved
✓	96	Loans approved
✓	147	Net Jobs supported in 96 micro-enterprises
✓	38%	Approval rate
✓	€1.3M	Value of loans drawn
✓	91	Loans drawn
✓	Average Loan size of €14K	
✓	88% 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: 17% of loans granted to Dublin, 83% remainder of Ireland	

Promotional Activities

During Q1 2018, 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 MFI's target market with strong progress achieved during the quarter.

A digital marketing campaign kicked off the New Year in early January followed by a local radio campaign later in the month, creating strong momentum and resulting in a strong increase in website traffic and enquiries throughout the quarter.

MFI staff attended 13 events during the quarter – 6 of which were part of National Enterprise Week by the LEOs in March. We also made a number of presentations to a broad range of small businesses with a number of representative organisations and programmes including Small Firms Association (SFA), Ireland's Smart Aging Exchange (ISAX), Women's Rural Entrepreneur Network (WREN) and Ethnic Entrepreneurs.

MFI also maintained strong engagement with all referral partners. The quarterly meeting which was scheduled with the Local Enterprise Offices was deferred until April 2018. Meeting held with ILDN in March and ongoing communication with AIB, BOI and Ulster Bank with a view to maintaining a consistent flow of referrals/applications from all sources.

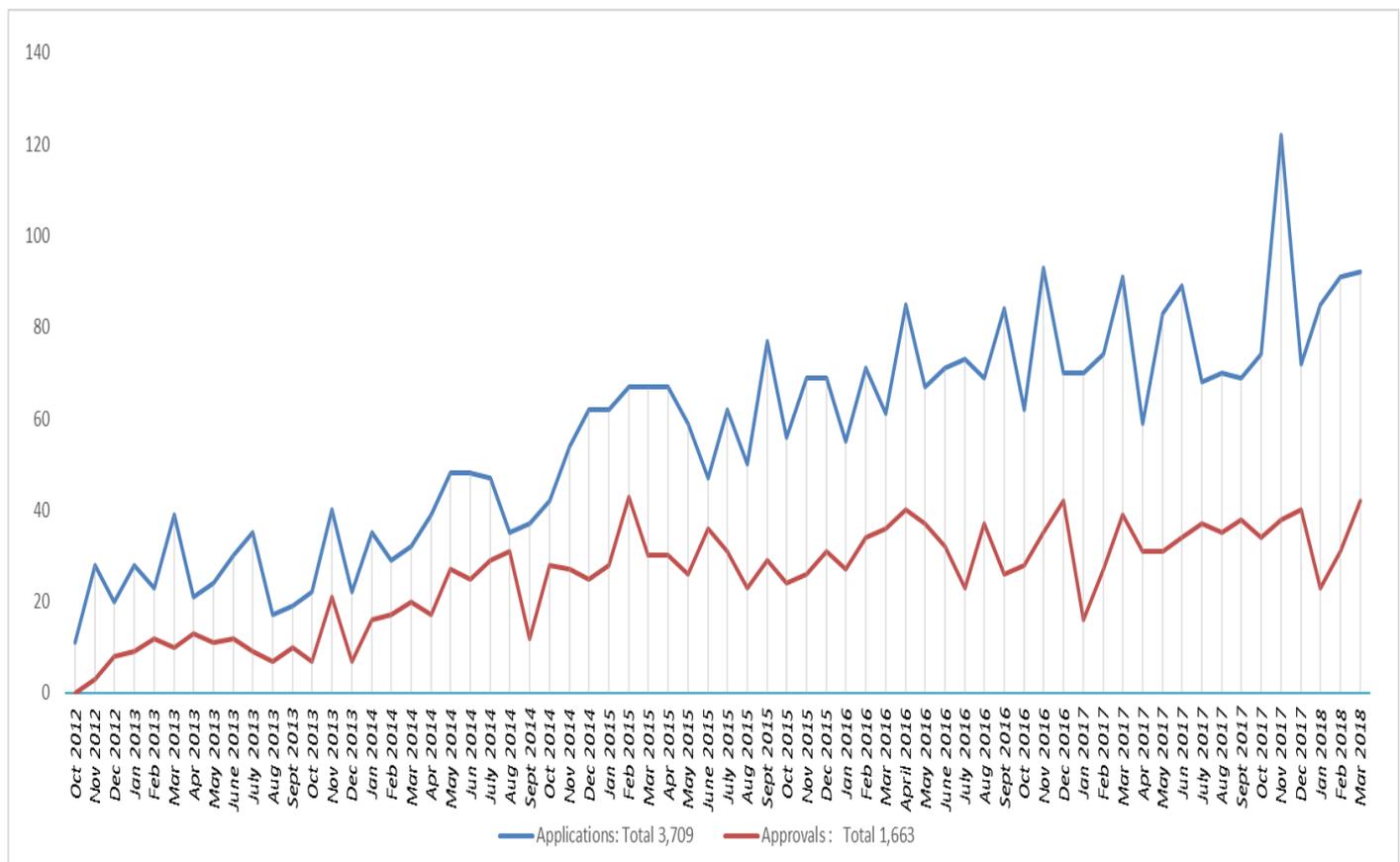
Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

Applications by Quarter

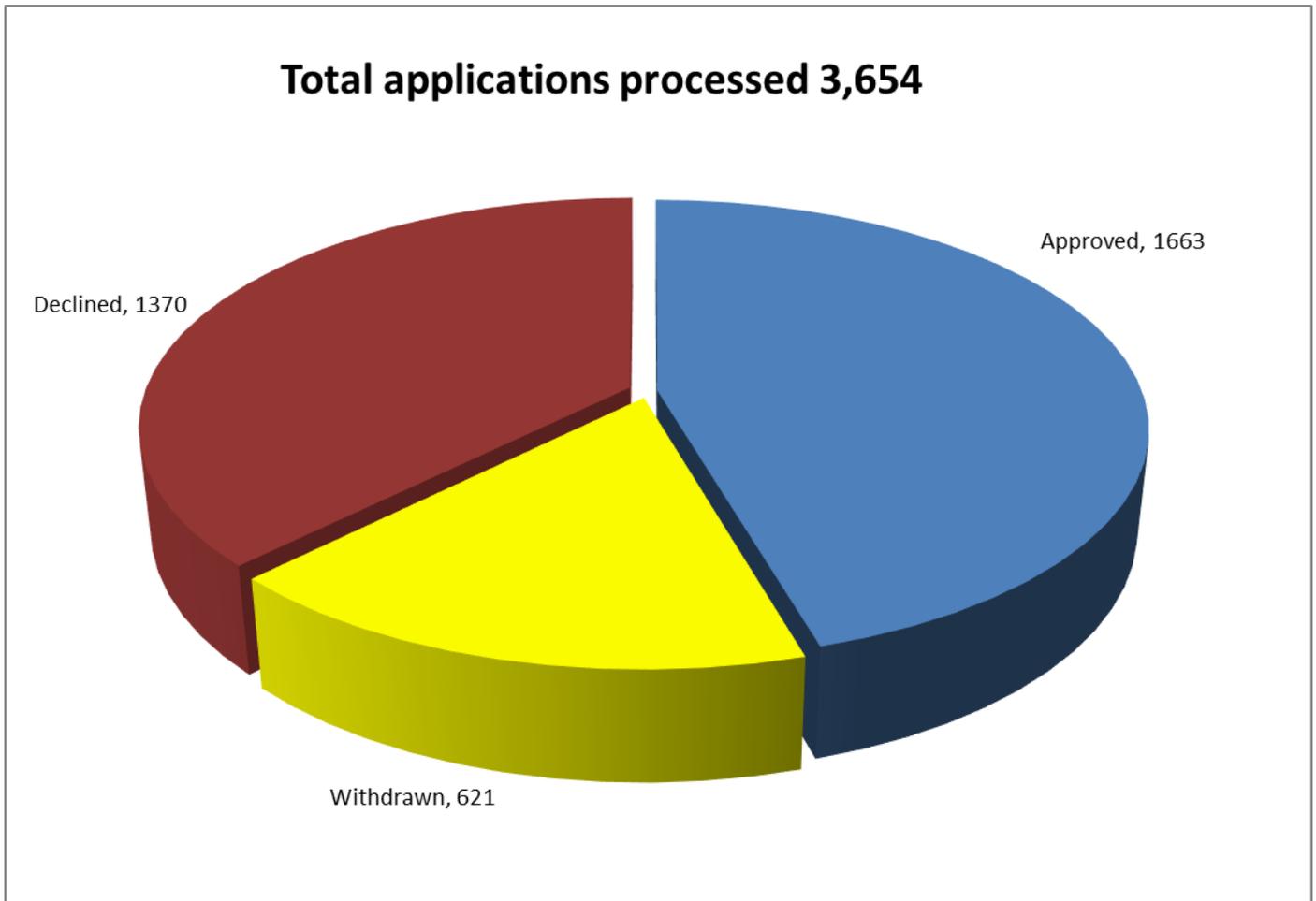
Total Applications Received																				
	2013		2014		2015		2016		Q1 2017		Q2 2017		Q3 2017		Q4 2017		Q1 2018		Total (1st October 2012 to 31st March 2018)	
Total Applications	379	€6.739M	508	€8.451	752	€12.317M	861	€13.567M	235	€3.450M	231	€3.514M	207	€2.849M	268	€4.093M	268	€4.108M	3,709	€59.088M
Total Applications Processed																				
	2013		2014		2015		2016		Q1 2017		Q2 2017		Q3 2017		Q4 2017		Q1 2018		Total (1st October 2012 to 31st March 2018)	
Applications Processed		348		483		743		902		211		230		220		266		251		3,654
Approved		139		274		357		397		82		96		111		111		96		1,663
Approval Rate		40%		57%		48%		44%		39%		42%		50%		42%		38%		46%
Approved (€'000)		2,159		4,159		5,378		5,392		1,095		1,392		1,439		1,577		1,300		23,891

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:

Total Approvals										
No. of Employees	2013	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Total (1st October 2012 to 31st March 2018)
1	60	141	187	235	39	43	52	61	43	861
2-3	56	86	97	91	28	34	42	30	41	505
4-5	16	22	33	45	11	11	9	6	8	161
6-9	10	25	40	26	4	8	8	14	4	139
10								0		0
Prior period adj	-3	0								-3
Total No. of Loans	139	274	357	397	82	96	111	111	96	1,663

Approvals by Loan Size

From 1st October 2012 to 31st March 2018, loans were granted in the following size range.

Euro	No. of Loans
≤25k	491
≤20k	179
≤15k	280
≤10k	310
≤5k	403
Total	1,663
<i>Average loan size €14.4K</i>	

Purpose for which Microfinance Loans were granted

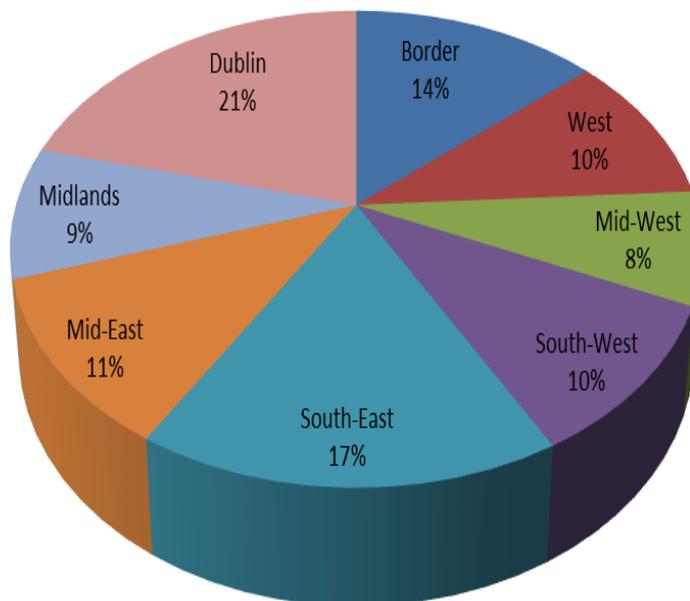
Loans were granted for the following purposes:

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

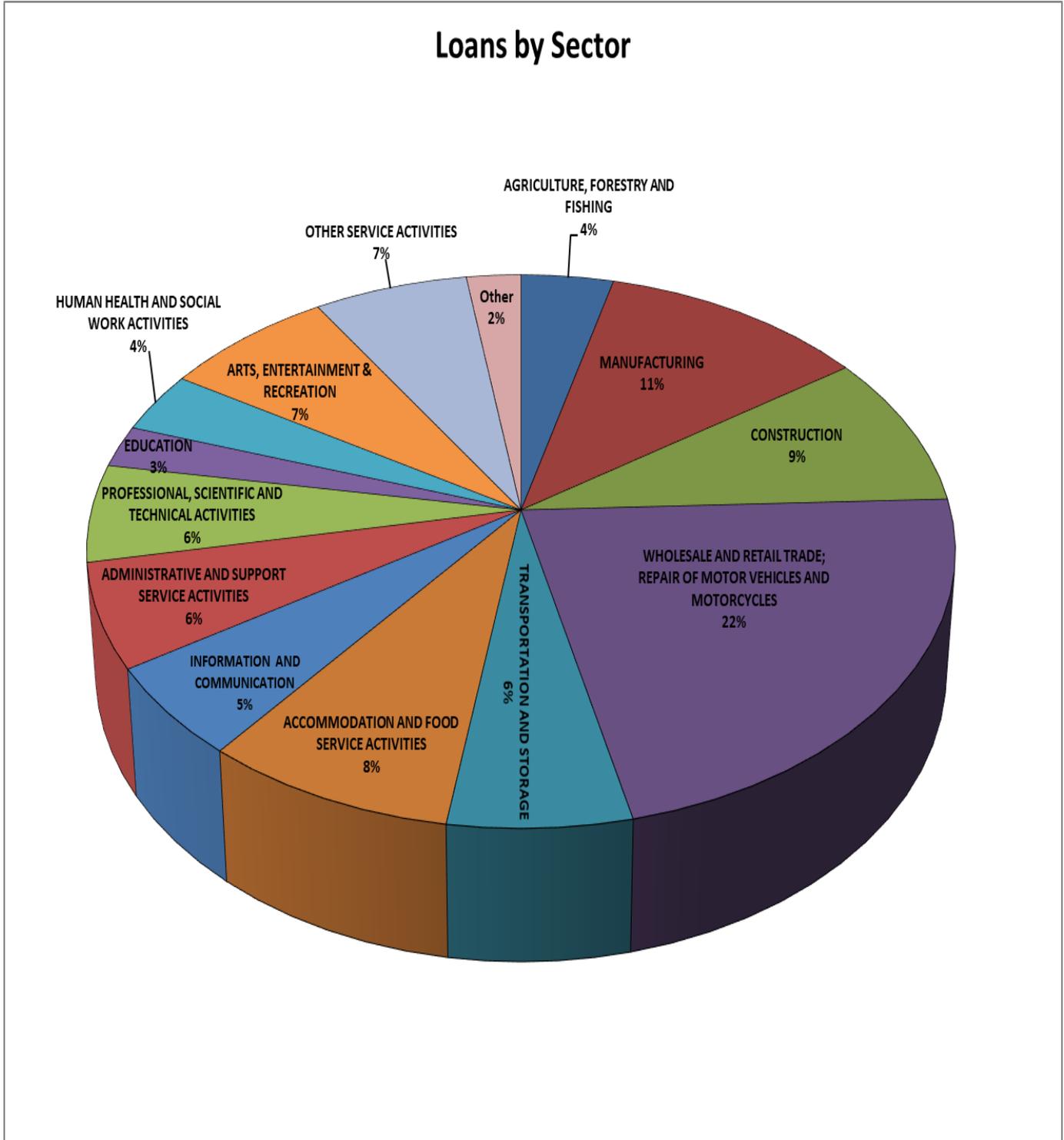
Geographical Analysis of Approval – from 1st October 2012 to 31st March 2018

Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	819	349	Kerry	103	43
Cork	298	128	Louth	102	37
Meath	187	75	Mayo	101	53
Tipperary	175	81	Donegal	92	43
Galway	174	84	Laois	82	34
Limerick	172	74	Longford	79	35
Waterford	142	62	Sligo	76	49
Wexford	142	79	Offaly	75	33
Kildare	130	63	Roscommon	70	35
Wicklow	128	51	Carlow	63	28
Cavan	107	47	Kilkenny	63	28
Clare	107	53	Monaghan	60	22
Westmeath	106	47	Leitrim	56	30
Total Applications Received: 3,709 Total Applications Approved: 1,663					

Approved Loans By Regions



Approval by Business Sector



Demographical Analysis

Borrower's legal status

- 595 Microfinance loans were granted to Private Limited Companies
- 940 Sole Traders were granted a microfinance loan
- 128 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 1,663 loans approved, 932 were start-up enterprises (<18 months) and 731 to existing enterprises.

Gender Breakdown

Of the total applications received 75% (2,788) were from male promoters and 25% (921) from female promoters. Of the loans approved as at 31st March 2018, 74% (1,226) were to male promoters while 26% (437) were to female promoters.

Youths

There were 43 loans approved to young entrepreneurs comprising 3% of all the applications approved to date.

Approved Applications	Numbers	Value €
Total Approved	1,663	23.891M
Start-Up (<18 months)	932	
Existing	731	
No. of Ltd. Co.	595	
No. of Sole Traders	940	
No. of Partnerships	128	
Female	437	
Male	1,226	
Youth (18-25 years old)	43	

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 declining 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 200 appeals from inception to 31st March 2018 and 34 of these cases have been approved on appeal (17%). These figures are included in the overall approval figures.

Business Failures

Up to end March 2018, 215 businesses of the 1,444 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, 1,696 of our loan applications were received from the LEOs accounting for 46% of all of our applications. Of these applications received from the LEOs, 1,672 were fully processed by the 31st March 2018 resulting in 868 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 13 applications submitted for the year to March 2018, 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 2,013 applications via these channels which equates to 54% of all applications. Of these applications, 1,982 were fully processed by the 31st March 2018 resulting in 795 being approved giving an approval rate of 40%.

Bank Channel

The bank channel, consisting of Bank of Ireland, AIB, Ulster Bank & PTSB, is referring growing numbers of introductions to Microfinance Ireland. In the quarter to March 2018, 98 referrals and 30 loan applications were received. Of particular note is that MFI received its first referral from PTSB in March.

This relationship is monitored closely to ensure a consistent flow of leads and applications from each Bank on an ongoing basis.