

## **NOTE FOR FINANCE COMMITTEE**

### **Fourth half-yearly Progress Report on Self-employment Business Start-up Assistance Scheme**

#### **PURPOSE**

This paper presents the fourth half-yearly progress report on the Self-employment Business Start-up Assistance Scheme from April to September 2003 for Members' information. It also reports on the discontinuation of the loan guarantee under the Scheme from 1 October 2003.

#### **BACKGROUND**

2. The Self-employment Business Start-up Assistance Scheme (the Scheme) jointly administered by the Education and Manpower Bureau (EMB) and the Employees Retraining Board (ERB) began in September 2001. At the Finance Committee meeting on 6 July 2001, Members requested the Administration to submit half-yearly progress reports after the implementation of the Scheme. We have submitted progress reports covering the three half-year periods from September 2001 to March 2003 vide FCRI(2002-03)8, FCRI(2002-03)20 and FCRI(2003-04)10. The progress of the Scheme from April 2003 to September 2003 is set out in the following paragraphs.

#### **PROGRESS UP TO 30 SEPTEMBER 2003**

##### ***Self-employment Retraining Courses***

3. Up to 30 September 2003, ERB has offered a total of 40 retraining courses in self-employment, comprising 33 generic and seven trade-specific programmes. 818 retrainees have completed the training. A breakdown of the types of courses they attended and their profiles are shown at Enclosures 1 and 2 respectively. Out of these 818 graduates, 258 have started their businesses. A breakdown, by industry, of the businesses started is at Enclosure 3.

Encls. 1 & 2

Encl. 3

*/Loan .....*

*Loan Guarantee*

Encl. 4 4. As at 30 September 2003, a total of 26 lending institutions were offering loans under the Scheme. Up to 30 September 2003, a total of 76 loan applications have been received, of which 37 have been approved by the lending institutions with a cumulative loan amount of \$3,516,000. Enclosure 4 shows the terms, conditions and other aspects of the loans in respect of these 37 successful applications.

5. As at the same date, two loan borrowers had repaid the entire loans early. Separately 13 borrowers had ceased their business operation for various reasons, including poor business and personal, management or other problems. The Government, using funding redeployed from recurrent subvention to the ERB, had made guaranteed payments amounting to \$416,581.16 to the corresponding lending institutions for seven default cases. Borrowers who are facing repayment difficulties are negotiating with their lenders on loan restructuring.

*Support and Advisory Services*

6. ERB continues to offer support and advisory services to retrainees who have completed self-employment training courses. So far, more than 65 activities including talks, seminars, experience-sharing workshops and visits to related business enterprises and organisations, etc. have been held, benefiting around 900 participants.

**REVIEW OF THE SCHEME**

Encl. 5 7. The Government undertook to review the effectiveness of the Scheme towards the end of 2003. In this connection, we have commissioned the Chinese University of Hong Kong to conduct an independent user opinion survey on the Scheme. Salient findings of the survey results are set out at Enclosure 5. The review results show that retrainees were generally satisfied with the self-employment retraining courses and support and advisory services provided by ERB. The results also show that the loan facility is not essential for retrainees in starting their businesses. Taking into account the survey results, the small number of applications for loans under the Scheme in the past two years and the cost-effectiveness of the loan guarantee arrangement, the ERB recommended and EMB agreed to discontinue the loan guarantee facility of the Scheme starting from 1 October 2003. The guarantees already approved and any applications for guarantee submitted before the effective date and subsequently approved will not be affected. The ERB will continue the self-employment retraining courses and support and advisory services, and will divert the manpower saved from the discontinuation of the loan facilities to these ends.

**No. of retrainees who have completed  
ERB's self-employment courses  
(as at 30 September 2003)**

<i>Course mode and type</i>	September 2001 – March 2003			April 2003 – September 2003			Cumulative up to 30 September 2003		
	<i>Generic courses</i>	<i>Trade-Specific Courses</i>	<i>Total</i>	<i>Generic courses</i>	<i>Trade-specific courses</i>	<i>Total</i>	<i>Generic courses</i>	<i>Trade-specific courses</i>	<i>Total</i>
Full-Time	500	95	595	85	28	113	585	123	708
Part-Time	110	0	110	0	0	0	110	0	110
<b>Total No.</b>	<b>610</b>	<b>95</b>	<b>705</b>	<b>85</b>	<b>28</b>	<b>113</b>	<b>695</b>	<b>123</b>	<b>818</b>

**Notes**

1. Generic self-employment courses cover various modules related to practical knowledge and skills in general business operation and last for 60 hours.
2. Trade-specific self-employment courses aim to provide retrainees with training in self-employment and business start-up in specific trades. These courses last longer than 60 hours and they cover, in addition to the modules offered in generic self-employment courses, other modules relevant to specific trades. Seven courses covering the following six trades have been provided so far -
  - property maintenance;
  - beauty care;
  - digital imaging;
  - environmental cleaning;
  - retail industry; and
  - community docent.

**Enclosure 2 to FCRI(2003-04)17**

**Profiles of Retrainees of Self-employment Programme  
(as at 30 September 2003)**

<i>Sex</i>	September 2001 – March 2003		April 2003 - September 2003		Cumulative up to 30 September 2003	
	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>
Male	384	54%	49	43%	433	53%
Female	321	46%	64	57%	385	47%
<b>Total</b>	<b>705</b>	<b>100%</b>	<b>113</b>	<b>100%</b>	<b>818</b>	<b>100%</b>

<i>Age</i>	September 2001 – March 2003		April 2003 - September 2003		Cumulative up to 30 September 2003	
	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>
Below 30	22	3%	6	5%	28	3%
30 – 39	293	42%	46	41%	339	41%
40 – 49	274	39%	49	43%	323	40%
50 or above	116	16%	12	11%	128	16%
<b>Total</b>	<b>705</b>	<b>100%</b>	<b>113</b>	<b>100%</b>	<b>818</b>	<b>100%</b>

<i>Education</i>	September 2001 – March 2003		April 2003 - September 2003		Cumulative up to 30 September 2003	
	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>
P.6 or below	27	4%	4	4%	31	4%
Form 1 to 3	186	26%	32	28%	218	26%
Form 4 to 5	341	48%	50	44%	391	48%
Form 6 or above	151	22%	27	24%	178	22%
<b>Total</b>	<b>705</b>	<b>100%</b>	<b>113</b>	<b>100%</b>	<b>818</b>	<b>100%</b>

**Enclosure 3 to FCRI(2003-04)17**

**Progress on Business Start-up  
(as at 30 September 2003)**

**Total number of graduates who have started-up business - 258**

**Breakdown by the month of business start-up**

Month	<i>Oct 2001</i>	<i>Nov 2001</i>	<i>Dec 2001</i>	<i>Jan 2002</i>	<i>Feb 2002</i>	<i>Mar 2002</i>	<i>Sub-total</i>
No. of graduates	4	7	21	35	4	5	<b>76</b>
Month	<i>Apr 2002</i>	<i>May 2002</i>	<i>June 2002</i>	<i>July 2002</i>	<i>Aug 2002</i>	<i>Sep 2002</i>	<i>Sub-total</i>
No. of graduates	29	8	12	12	18	12	<b>91</b>
Month	<i>Oct 2002</i>	<i>Nov 2002</i>	<i>Dec 2002</i>	<i>Jan 2003</i>	<i>Feb 2003</i>	<i>Mar 2003</i>	<i>Sub-total</i>
No. of graduates	6	15	18	9	3	5	<b>56</b>
Month	<i>Apr 2003</i>	<i>May 2003</i>	<i>June 2003</i>	<i>July 2003</i>	<i>Aug 2003</i>	<i>Sep 2003</i>	<i>Sub-total</i>
No. of graduates	9	11	6	4	4	1	<b>35</b>
<b>Total</b>							<b>258</b>

**Breakdown by industry**

<b>Industry</b>	September 2001 – March 2003		April 2003 – September 2003		Cumulative up to 30 September 2003	
	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>
Retail/ Wholesale/ Trading	118	53%	12	34%	130	50%
Service	82	37%	20	57%	102	40%
Food & Beverage	16	7%	3	9%	19	7%
Manufacturing	6	3%	0	0%	6	3%
Others	1	0%	0	0%	1	0%
<b>Total</b>	<b>223</b>	<b>100%</b>	<b>35</b>	<b>100%</b>	<b>258</b>	<b>100%</b>

**Statistics on Successful Loan Applications  
(as at 30 September 2003)**

**(A) Terms and Conditions**

	September 2001 - March 2003	April 2003 – September 2003	Cumulative up to 30 September 2003
<b><i>Loan amount</i></b>	<i>No. of cases</i>	<i>No. of cases</i>	<i>No. of cases</i>
Below \$50,000	0	0	0
\$50,000 - \$99,999	9	0	9
\$100,000	27	1	28
Total	36	1	37
Cumulative loan amount	\$3,416,000	\$100,000	<b>\$3,516,000</b>
Average loan amount	\$94,889	\$100,000	<b>\$95,027</b>

	September 2001 - March 2003	April 2003 – September 2003	Cumulative up to 30 September 2003
<b><i>Repayment Period (month)</i></b>	<i>No. of cases</i>	<i>No. of cases</i>	<i>No. of cases</i>
Below 24	1	0	1
24	10	0	10
25 – 30	12 <sup>#</sup>	0	12
31 – 36	13 <sup>#</sup>	1	14
Total	36	1	37
Average repayment period	<b>29.6*</b>	<b>36</b>	<b>29.8</b>

<sup>#</sup> *The grouping of a case has been re-classified from range 25-30 to range 31-36 in this progress report due to loan restructuring.*

<sup>\*</sup> *Average repayment period has been updated taking into account the revision of the repayment period of a case from 30 months to 27 months.*

	September 2001 – March 2003	April 2003 – September 2003	Cumulative up to 30 September 2003
<b><i>Interest rate</i></b>	<i>No. of cases</i>	<i>No. of cases</i>	<i>No. of cases</i>
P + 1%	2	0	2
P + 1.5%	11	1	12
P + 2%	4	0	4
P + 2.5%	2	0	2
P + 3%	17	0	17
Total	36	1	37
Average interest rate	<b>P + 2.29%</b>	<b>P + 1.5%</b>	<b>P+2.27%</b>

**(B) Breakdown by industry**

	September 2001 – March 2003	April 2003 – September 2003	Cumulative up to 30 September 2003
<i>Industry</i>	<i>No. of successful loan applications</i>	<i>No. of successful loan applications</i>	<i>No. of successful loan applications</i>
Retail/Wholesale/Trade	19	1	20
Service	12	0	12
Food and Beverage	3	0	3
Manufacturing	1	0	1
Others	1	0	1
<b>Total</b>	<b>36</b>	<b>1</b>	<b>37</b>

**Salient Findings of Independent User Opinion Survey  
on the Self-Employment Business Startup Assistance Scheme**

The user opinion survey was conducted during the period from 28 May to 17 June 2003. It successfully interviewed via phone 573 out of 710 retrainees who had completed Self-employment (SE) courses between September 2001 and March 2003.

2. The status of business start-up among this group of retrainees is as follows -

	Loan Borrower Retrainees	Non-loan Borrower Retrainees	Total
Started up business after graduation			
Still running	24	101	125
Closed	3	95	98
Sub-total	27	196	223
Never started up business after graduation	–	350	350
Total	27	546	573

**Findings**

3. The major findings are as follows -

(a) SE course contents and support services

- 56% of the retrainees were “satisfied/very satisfied” with the SE courses, while 35% considered the courses “average”.
- 43% of the retrainees were “satisfied/very satisfied” with the support services, while 23% rated the services “average”.
- suggestions to improve the SE courses included lengthening the course duration, introduction of more practice opportunities, training in market analysis and market development.
- suggestions to improve the support services included providing more information and professional advisory services.



(b) Business Starters - loan borrowers and non-loan borrowers

- Out of 223 business starters interviewed, only 27 had secured Government guaranteed loans from lending institutions participating in the Scheme.
- For those who did not make use of the loan guarantee facility, 90% of them financed their business using their own savings, or raised their business capital from their spouses, relatives and/or friends.
- 12 of the 27 loan borrowers relied on the guaranteed loans as their principal financing source, while the remaining 15 loan borrowers counted on their own savings or borrowing from their spouses, relatives and/or friends as their principal financing source, and the guaranteed loans as a supplementary financing source.
- Of the 27 loan borrowers -
  - 12 rated the loan amount as “reasonable/very reasonable” or “average”;
  - 9 rated the interest rate as “reasonable/very reasonable” or “average”;
  - 22 rated the repayment period as “reasonable/very reasonable” or “average”; and
  - 13 rated the handling fee charged by lending institutions as “reasonable/very reasonable” or “average”.
- 17 out of the 27 loan borrowers expressed that they would start up their businesses even without the loan guarantee facility.
- For both loan borrowers and non-loan borrowers, the main difficulties encountered during the preliminary stage of their business were (i) shortage of funds and (ii) unfavourable economic condition.

## **Observations**

### *SE courses and support service*

4. The positive results from survey show that SE graduates are satisfied with both the SE courses and the supporting services of the Scheme. The feedback from the independent survey also confirms that the support service is helpful to the business starters.

### *Government's loan guarantee*

5. Statistics show that the demand for Government's loan guarantees under the Scheme is relatively small. Only 27 out of 223 business starters (12%) interviewed in the survey obtained loans from the loan guarantee facilities to start their businesses. This reflects that most retrainees were able to start their businesses with their own source of funding. Moreover, a majority of those (17 out of 27) who have taken out loans indicated that they would start their own businesses without these loans. These demonstrate that the loan guarantee facility provided by Government is desirable but not essential.

6. At a meeting held in August 2003, ERB reviewed the Scheme and decided to recommend that the loan guarantee facility of the Scheme be discontinued. Resources could then be saved for strengthening the SE courses and support services.