

## Microfinance Ireland

---

# Report on The Microenterprise Loan Fund Scheme as at 31st March 2019

---



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



Oifig Fiontair Áitiúil   
Local Enterprise Office

## Contents

Overview of the Microenterprise Loan Fund Scheme.....	2
Fund Performance Summary: 1st October 2012 to 31st March 2019.....	2
Performance and Promotions Q1 2019.....	3
Microenterprise Loan Fund Scheme Analysis since inception (October 2012).....	4
Applications by Quarter .....	4
Monthly Growth Trend.....	4
Applications processed.....	5
Approvals by Size of Borrower .....	5
Approvals by Loan Size.....	6
Purpose for which Microfinance Loans were granted .....	6
Geographical Analysis of Approvals.....	7
Approval by Business Sector .....	8
Demographical Analysis .....	9
Appeals Process.....	10
Business Failures .....	10
Source of Loan Referrals .....	11

## 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 programme's 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 2019

As at end March 2019, Microfinance Ireland has been in business for over six years. In this time, it has delivered the following key results:

- ✓ **4,724 Applications received**
- ✓ **€29.6M Value of loans approved**
- ✓ **5,028 Net jobs supported in 2,065 micro-enterprises**
- ✓ **44% Approval rate**
- ✓ **€25.4M Value of loans drawn**
- ✓ **1,806 Loans drawn**
- ✓ **Average Loan size of €14K**
- ✓ **82% approvals granted to businesses employing 3 people or fewer**
- ✓ **55% 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>(21%)</b>	MANUFACTURING <b>(11%)</b>
CONSTRUCTION <b>(9%)</b>	ACCOMMODATION & FOOD SERVICE ACTIVITIES <b>(9%)</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:

- ✓ **4,664 Applications processed to full assessment**
- ✓ **60 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

## Promotion and Performance of the Fund during Quarter 1 2019

### Promotion:

A range of marketing and PR activities were undertaken by the business during Q1 2019. These included:

- A Radio Campaign ran in late January for a period over 10 days and resulted in an average increase of 45% in registrations on the website for Q1 2019 versus the previous quarter.
- Continuation of online campaigns across social media platforms.
- An email marketing campaign was initiated in early February to follow up with 1300+ contacts who had registered their interest in 2018 but had not yet applied. 19% of leads confirmed that they were still planning to apply, thus hopefully ensuring a steady flow of applications in the coming weeks/months
- MFI actively participated in LEO Enterprise Week in March and made presentations at a number of events in Cavan, Louth, Westmeath, Fingal & Roscommon.
- MFI also attended the 'Back for Business' Workshop aimed at returning Irish emigrants who have set up businesses on their return. A number of introductions were made, and leads are continuing to be actively followed up.

There was also a range of stakeholder interactions during the quarter including:

- Meetings held with AIB, BOI & Ulster Bank to ensure a steady flow of referrals with follow up training sessions already held for 60 staff in AIB and sessions scheduled for BOI and Ulster Bank for early in Q2.

### Performance:

Overall the performance of the fund in quarter 1 2019 is very positive.

- In 2018 the business achieved in excess of 1,000 applications for the first time. Based on the run rate in applications received in quarter 1 2019, the annual outturn should again exceed 1,000 applications.
- The approval rate for the first quarter of 2019 at 47% is very positive and due to this, the number of approved loans is up 19% compared to the same period in 2018. Loans totalling €1.6m was approved for 114 businesses.
- Through these approvals, 220 net jobs were supported, which is an increase of 50% over the first quarter in 2018.
- Loans drawdown in the quarter continue to perform strongly and are 18% ahead over the same period in 2018. In total 107 loans totalling €1.4m were drawn down.

### Key performance indicators for Quarter 1 2019:

- |   |   |  |
|---|---|--|
| ✓ | <b>259</b>  | <b>Applications received</b>                       |
| ✓ | <b>€1.6M</b>  | <b>Value of loans approved</b>                     |
| ✓ | <b>220</b>  | <b>Net jobs supported in 114 micro-enterprises</b> |
| ✓ | <b>47%</b>  | <b>Approval rate</b>                               |
| ✓ | <b>€1.4M</b>  | <b>Value of loans drawn</b>                        |
| ✓ | <b>107</b>  | <b>Loans drawn</b>                                 |
| ✓ | Average Loan size of <b>€14K</b>  |  |
| ✓ | <b>79%</b> approvals granted to businesses employing <b>3 people or fewer</b>               |  |
| ✓ | <b>48%</b> of approvals granted to start-ups (in business for less than 18 months)          |  |
| ✓ | <b>Wide geographic coverage:</b> 26% of loans granted to Dublin, 74% to the rest of Ireland |  |

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

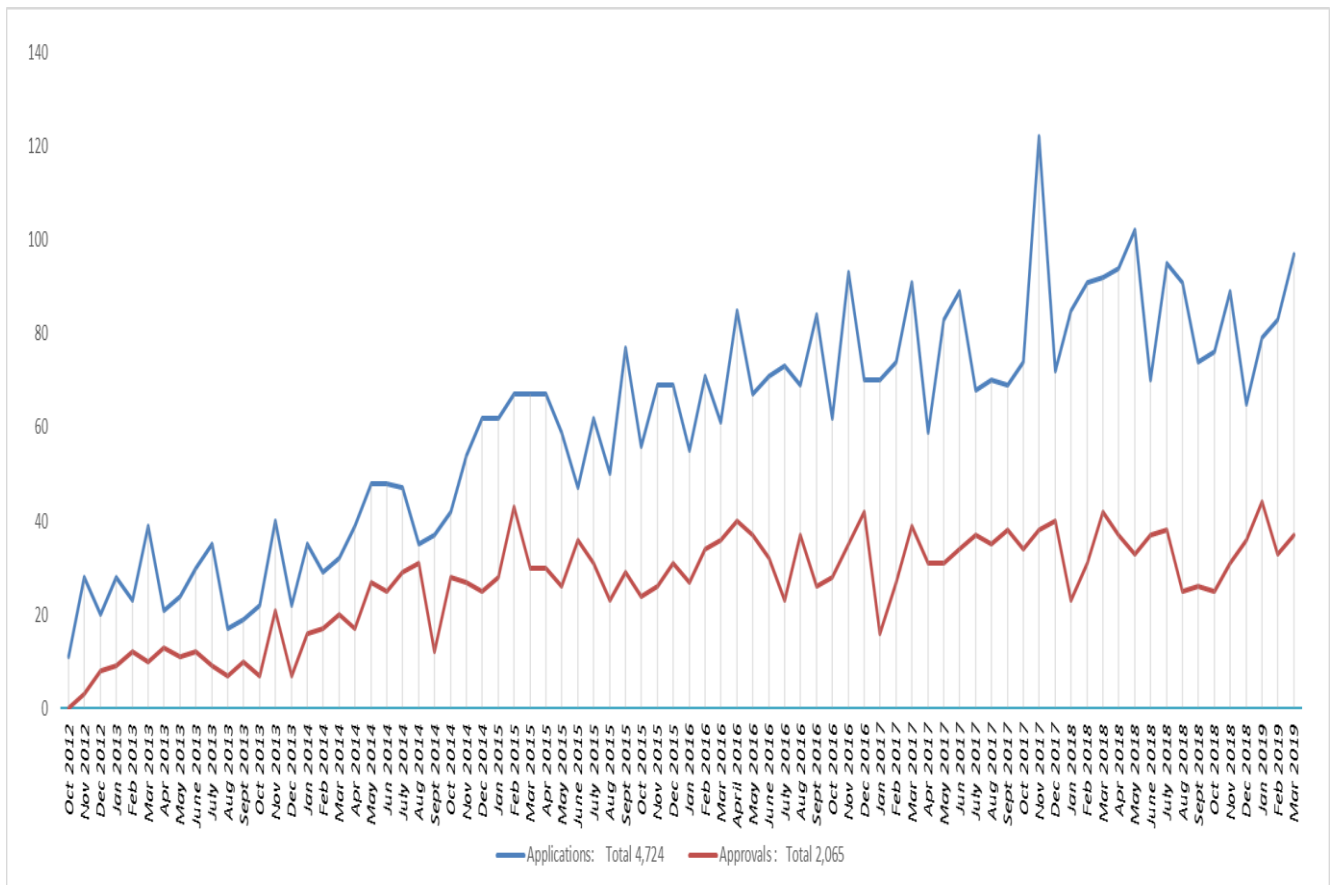
### Applications by Quarter

Total Applications Received																						
	2013		2014		2015		2016		2017		Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Total (1st October 2012 to 31st March 2019)						
Total Applications	379	€6.739M	508	€8.451	752	€12.317M	861	€13.567M	941	€13.906M	268	€4.108M	266	€3.894M	260	€3.791M	230	€3.444M	259	€3.921M	4,724	€74.138M

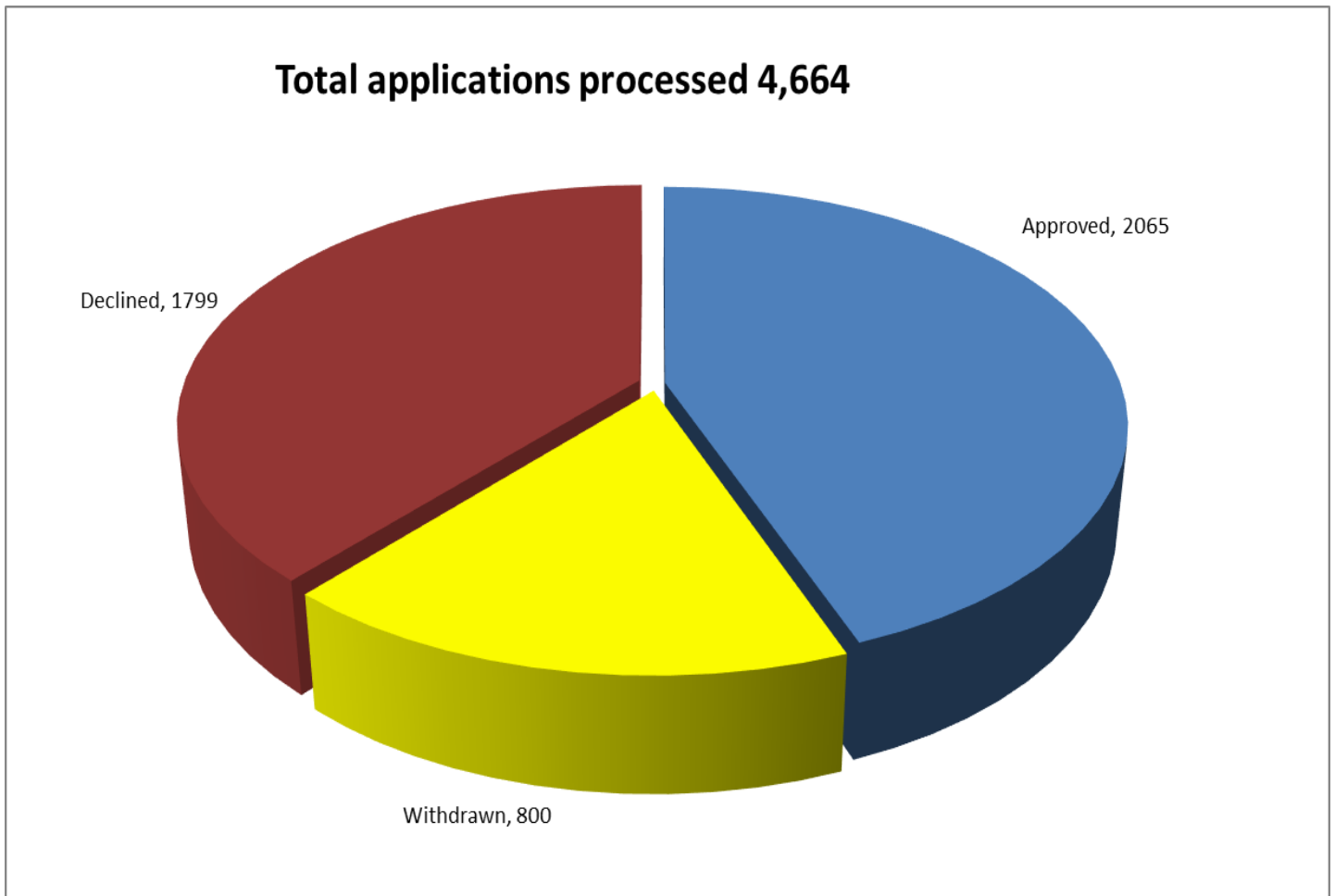
Total Applications Processed																
	2013		2014		2015		2016		2017		Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Total (1st October 2012 to 31st March 2019)
Applications Processed	348		483		743		902		927		251	281	261	228	240	4,664
Approved	139		274		357		397		400		96	107	89	92	114	2,065
Approval Rate	40%		57%		48%		44%		42%		38%	38%	34%	40%	47%	44%
Approved (€'000)	2,159		4,159		5,378		5,392		5,503		1,300	1,524	1,274	1,263	1,623	29,575

### 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													Total (1st October 2012 to 31st March 2019)
	2013	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	
1	60	141	187	235	39	43	52	61	43	48	45	47	55	1056
2-3	56	86	97	91	28	34	42	30	41	42	32	28	35	642
4-5	16	22	33	45	11	11	9	6	8	8	7	8	12	196
6-9	10	25	40	26	4	8	8	14	4	9	5	9	12	174
10								0						0
Prior period adj	-3	0												-3
<b>Total No. of Loans</b>	<b>139</b>	<b>274</b>	<b>357</b>	<b>397</b>	<b>82</b>	<b>96</b>	<b>111</b>	<b>111</b>	<b>96</b>	<b>107</b>	<b>89</b>	<b>92</b>	<b>114</b>	<b>2,065</b>

## Approvals by Loan Size

From 1<sup>st</sup> October 2012 to 31st March 2019, loans were granted in the following size range.

<b>Euro</b>	<b>No. of Loans</b>
≤25k	602
≤20k	228
≤15k	354
≤10k	369
≤5k	512
<b>Total</b>	<b>2,065</b>
<b><i>Average loan size €14.3K</i></b>	

## Purpose for which Microfinance Loans were granted

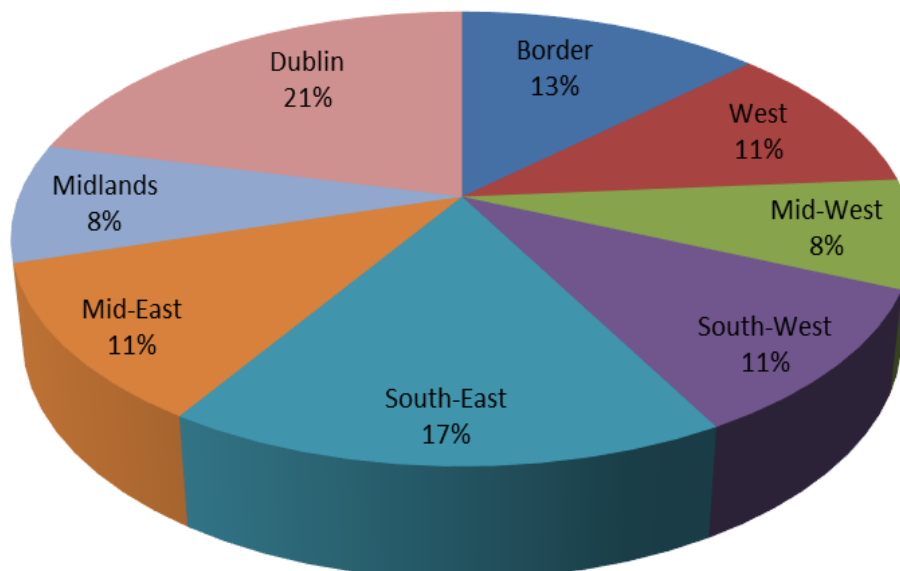
Loans were granted for the following purposes:

- 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 31st March 2019**

Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	1072	437	Cavan	131	55
Cork	376	163	Westmeath	126	54
Meath	249	91	Mayo	123	69
Galway	235	111	Donegal	122	54
Tipperary	211	97	Laois	102	42
Limerick	210	92	Sligo	98	55
Waterford	197	87	Longford	95	40
Wexford	183	104	Offaly	90	39
Kildare	174	77	Roscommon	86	41
Wicklow	162	66	Carlow	74	32
Clare	137	67	Monaghan	73	28
Kerry	136	56	Kilkenny	68	31
Louth	132	43	Leitrim	62	34
<b>Total Applications Received: 4,724</b>					
<b>Total Applications Approved: 2,065</b>					

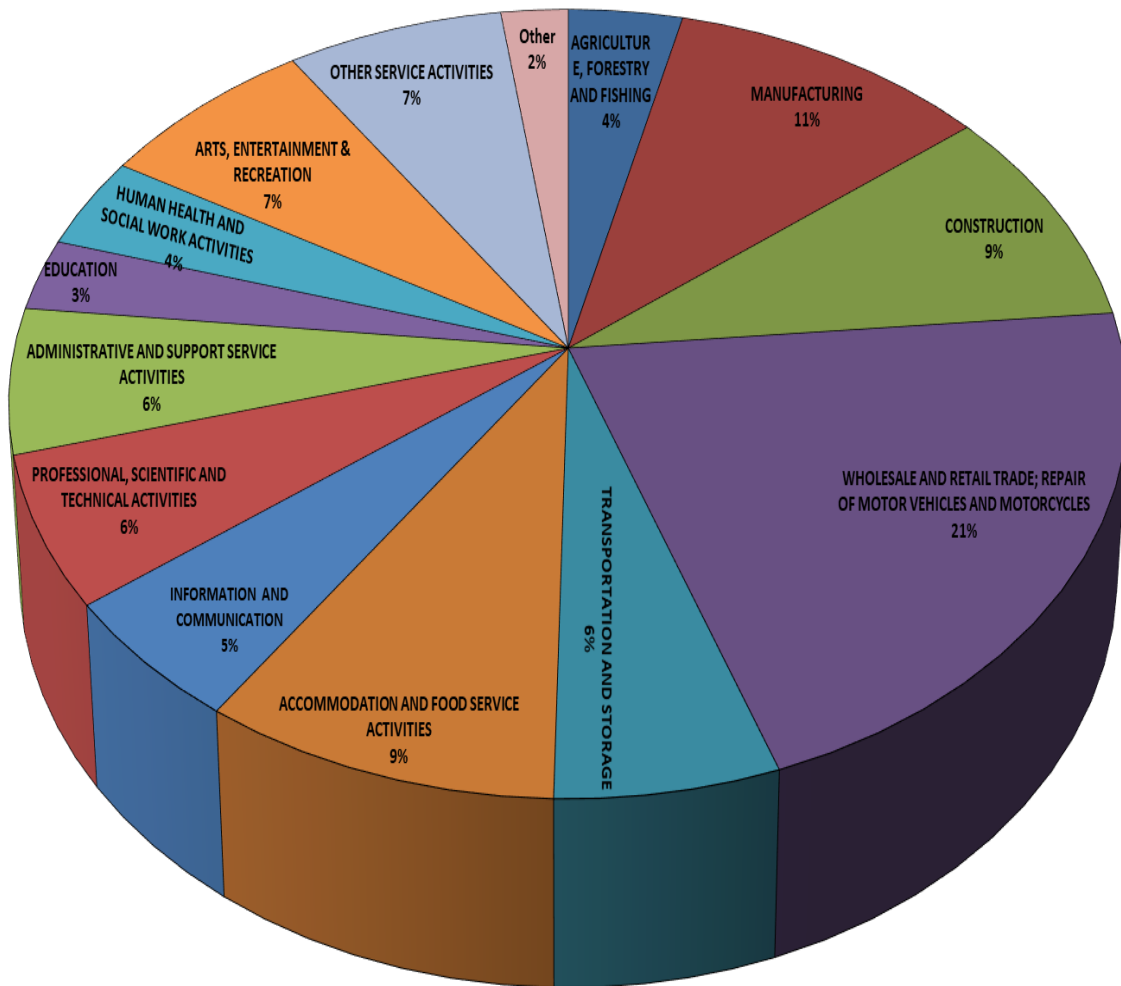
**Approved Loans By Regions**





**Approval by Business Sector**

**Loans by Sector**



## Demographical Analysis

### Borrower's legal status

- 753 Microfinance loans were granted to Private Limited Companies
- 1,165 Sole Traders were granted a microfinance loan
- 147 Microfinance loans were granted to Partnerships

### Start-Up/Existing

Of the 2,065 loans approved, 1,145 were start-up enterprises (<18 months) and 920 to existing enterprises.

### Gender Breakdown

Of the total applications received 75% (3,537) were from male promoters and 25% (1,187) from female promoters. Of the loans approved as at 31st March 2019, 74% (1,531) were to male promoters while 26% (534) were to female promoters.

### Youths

There were 48 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Numbers	Value €
<b>Total Approved</b>	2,065	29.575M
<b>Start-Up (&lt;18 months)</b>	1,145	
<b>Existing</b>	920	
<b>No. of Ltd. Co.</b>	753	
<b>No. of Sole Traders</b>	1,165	
<b>No. of Partnerships</b>	147	
<b>Female</b>	534	
<b>Male</b>	1,531	
<b>Youth (18-25 years old)</b>	48	

## **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 243 appeals from inception to 31st March 2019 and 42 of these cases have been approved on appeal (17%). These figures are included in the overall approval figures.

## **Complaints**

No complaints were received by the business in quarter 1, 2019.

The number of complaints received by the business since 2012 total 39.

## **Business Failures**

Up to end March 2019, 294 businesses of the 2,065 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, 2,008 of our loan applications were received from the LEOs accounting for 43% of all applications. Of these applications received from the LEOs, 1,990 were fully processed by the 31st March 2019 resulting in 1026 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 many clients who are moving to self-employment and are on the Back to Work Enterprise Allowance (BTWEA). While volumes are relatively low, 264 applications have been submitted since inception of the fund to March 2019, MFI continues 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 2,716 applications via these channels which equates to 57% of all applications. Of these applications, 2,674 were fully processed by the 31st March 2019 resulting in 1039 being approved giving an approval rate of 39%.

### Bank Channel

The Bank channel consisting of Bank of Ireland, AIB, Ulster Bank and Permanent TSB continues to make referrals to Microfinance Ireland. Since 2016, 917 referrals have been made leading to 210 applications received. The relationship with the Banks is monitored closely with a view to driving increased performance.