

Microfinance Ireland

Report on The Microenterprise Loan Fund Scheme as at 31st March 2020



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 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 2020

As at end March 2020, Microfinance Ireland has been in business for over 7 years. In this time, it has delivered the following key results:

- ✓ **5,932 Applications received**
- ✓ **€36.4M Value of loans approved**
- ✓ **6,210 Net jobs supported in 2,560 micro-enterprises**
- ✓ **44% Approval rate**
- ✓ **€30.8M Value of loans drawn**
- ✓ **2,221 Loans drawn**
- ✓ **Average Loan size of €14K**
- ✓ **83% approvals granted to businesses employing 3 people or fewer**
- ✓ **53% of approvals granted to start-ups (in business for less than 18 months)**
- ✓ **Wide geographic coverage: 22% of loans granted to Dublin, 78% to the rest of Ireland**

Successful applicants by sector:

WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES (22%)	MANUFACTURING (10%)
CONSTRUCTION (9%)	ACCOMMODATION & FOOD SERVICE ACTIVITIES (9%)
OTHER SERVICES (8%)	ARTS, ENTERTAINMENT AND RECREATION (7%)
ADMINISTRATION & SUPPORT SER. ACTIVITIES (6%)	PROFESSIONAL, SCIENTIFIC & TECH ACTIVITIES (6%)
TRANSPORT/STORAGE (5%)	INFORMATION AND COMMUNICATION (5%)
AGRICULTURE, FORESTRY & FISHING (4%)	HUMAN, HEALTH AND SOCIAL WORK (4%)
EDUCATION (3%)	OTHER (2%)

Assessing applications efficiently:

- ✓ **5,830 Applications processed to full assessment**
- ✓ **102 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and performance of the Fund during Quarter 1 2020

Key performance indicators for Quarter 1 2020

✓	375	Applications received
✓	€2.4M	Value of loans approved
✓	180	Net jobs supported in 157 micro-enterprises
✓	46%	Approval rate
✓	€1.8M	Value of loans drawn
✓	136	Loans drawn
✓	Average Loan size of €15K	
✓	88% approvals granted to businesses employing 3 people or fewer	
✓	39% of approvals granted to start-ups (in business for less than 18 months)	
✓	Wide geographic coverage: 28% of loans granted to Dublin, 72% to the rest of Ireland	

A range of 'business as usual' marketing and PR activities continued during Q1 2020 (up to early March) to maintain strong brand awareness including:

- Continuation of digital marketing campaigns across social media platforms
- Radio campaign ran in mid-January over 12 days and resulted in an increase in loan enquiries as expected
- 1,881 expressions of interest were received through the MFI website during the quarter which was almost 3 times the quarterly run rate. This was primarily due to the COVID19 Loan Package which was launched on 13th March
- Active participation in a number of LEO events and seminars to mark Local Enterprise Week in early March as well as Access to Finance workshops arranged by LEO Louth

In addition, a LEO/MFI marketing campaign was developed between MFI and LEO Marketing Team to promote the benefits of utilising the LEOs for MFI applications which was due for launch in April 2020 before being postponed due to COVID 19.

The MFI COVID19 Loan Package was developed very quickly following the Government's announcement on 10 March and was launched via MFI website on 13 March. It resulted in 1,023 expressions of interest being registered on the website in the period up to 31 March 2020.

Performance:

Pre COVID19, Quarter 1 2020 had already started extremely positively but following the launch of the COVID19 Business loan in mid-March, loan volumes reached significant new highs. With the increase in our maximum loan size to €50,000, the increase in loan values was even more pronounced in the latter weeks of the quarter.

Being first to market with a COVID19 proposal meant that the business had to ramp up extremely quickly and by the end of March was underwriting weekly volumes of business similar to its normal monthly level. This will be more apparent in quarter 2. Approval rates in Quarter 1 2020, remained strong, at 46% and supported €2.4m (50% higher than Q1 2019) in loans being approved for 157 businesses.

In addition to launching the new fund, the business engaged with all its existing customers and by the end of March approximately 50% of our customers had sought and received forbearance on their loans.

Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

Applications by Quarter

Total Applications Received									
	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Total (1st October 2012 to 31st March 2020)
Total Applications No.	379	508	752	861	941	1024	1092	375	5,932
Total Applications Amt.	€6.739M	€8.451M	€12.317M	€13.567M	€13.906M	€15.237M	€16.674M	€7.183M	€94.074M

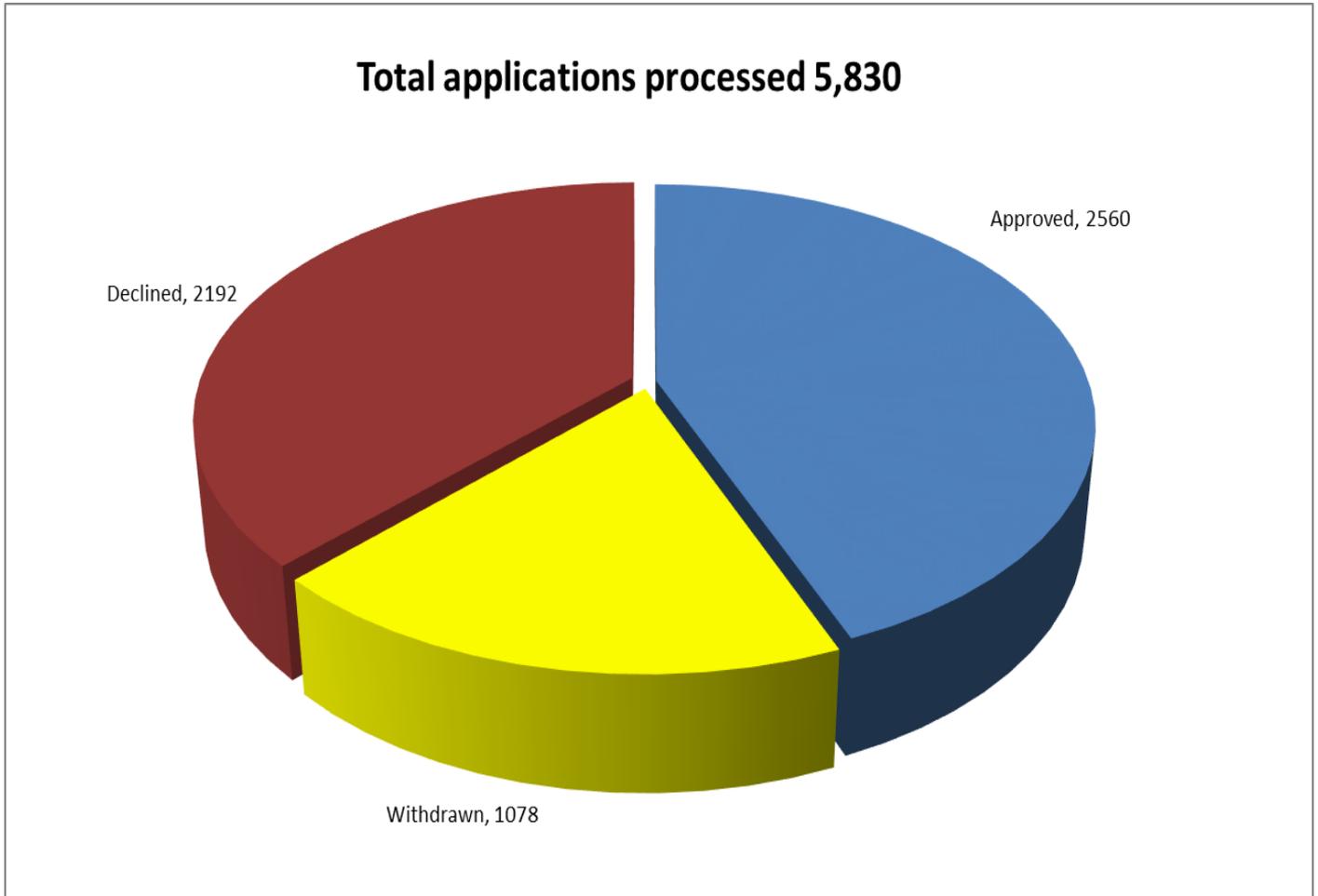
Total Applications Processed									
	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Total (1st October 2012 to 31st March 2020)
Applications Processed	348	483	743	902	927	1021	1068	338	5,830
Approved	139	274	357	397	400	384	452	157	2,560
Approval Rate	40%	57%	48%	44%	43%	38%	42%	46%	44%
Approved (€'000)	2,159	4,159	5,378	5,392	5,503	5,361	6,043	2,417	36,412

Quarterly Growth Trend

Application and approval activity levels by Quarter 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								
	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Total (1st October 2012 to 31st March 2020)
1	60	141	187	235	195	183	266	85	1352
2-3	56	86	97	91	134	143	117	53	777
4-5	16	22	33	45	37	31	35	12	231
6-9	10	25	40	26	34	27	34	7	203
10									0
Prior period adj	-3	0							-3
Total No. of Loans	139	274	357	397	400	384	452	157	2,560

Approvals by Loan Size

From 1st October 2012 to 31st March 2020, loans were granted in the following size range.

Euro	No. of Loans
≤50k	12
≤25k	719
≤20k	276
≤15k	443
≤10k	449
≤5k	661
Total	2,560
Average loan size €14.2K	

Purpose for which Microfinance Loans were granted

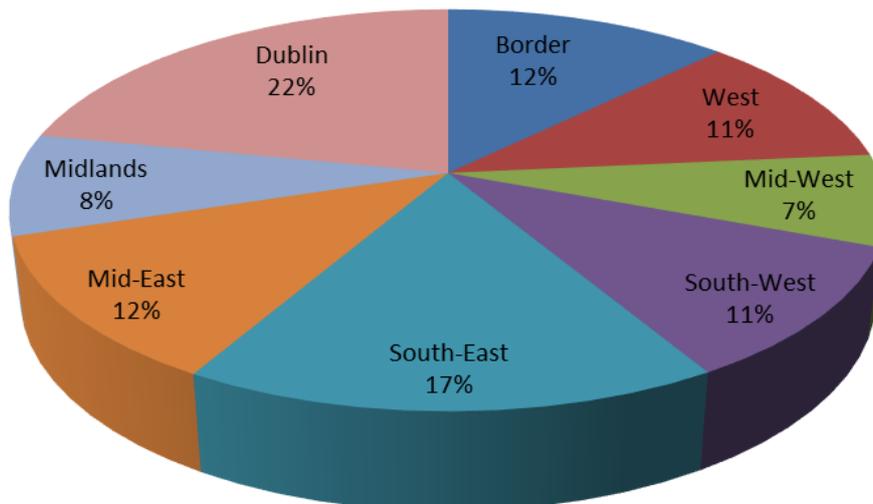
Loans were granted for the following purposes:

- 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 2020

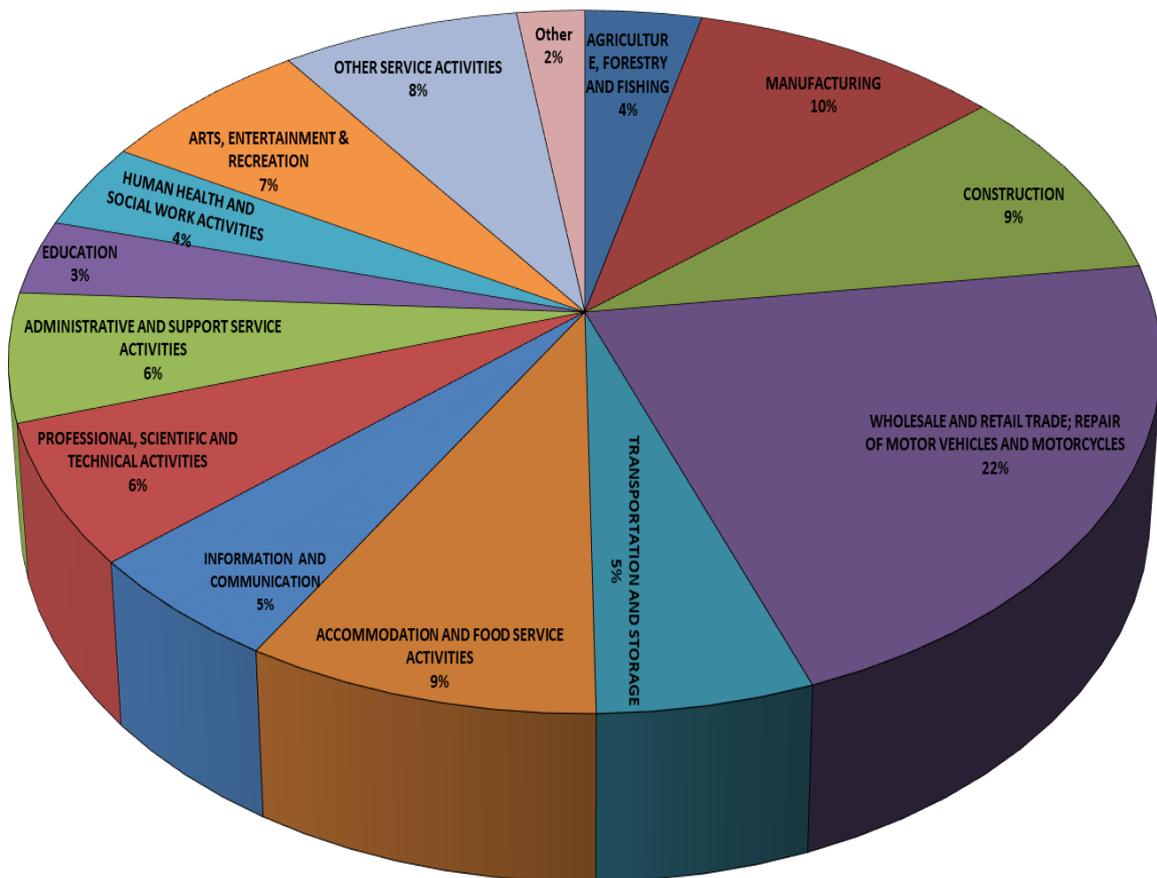
Geographical Spread							
County	Received	Approved	Approved Amount €000	County	Received	Approved	Approved Amount €000
Dublin	1400	558	8,380	Cavan	154	64	609
Cork	476	206	3,052	Donegal	154	67	1,018
Meath	312	118	1,653	Mayo	150	81	1,174
Galway	302	142	2,049	Westmeath	149	63	925
Limerick	245	109	1,721	Laois	133	55	600
Wexford	244	133	1,855	Roscommon	116	57	761
Tipperary	241	112	1,403	Sligo	112	62	926
Waterford	241	106	1,288	Offaly	110	49	611
Kildare	230	96	1,481	Longford	105	43	629
Wicklow	225	88	1,247	Carlow	89	39	554
Clare	165	79	1,109	Kilkenny	86	37	566
Kerry	165	69	1,014	Monaghan	85	31	358
Louth	164	53	845	Leitrim	79	43	584
Total Applications Received:					5,932		
Total Applications Approved:					2,560		
Total Applications Approval Amount:					€36.412M		

Approved Loans By Regions



Approval by Business Sector

Loans by Sector



Demographical Analysis

Borrower's legal status

- 934 Microfinance loans were granted to Private Limited Companies
- 1,466 Sole Traders were granted a microfinance loan
- 160 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 2,560 loans approved, 1,366 were start-up enterprises (<18 months) and 1,194 to existing enterprises.

Gender Breakdown

Of the total applications received 74% (4,389) were from male promoters and 26% (1,543) from female promoters. Of the loans approved as at 31st March 2020, 73% (1,867) were to male promoters while 27% (693) were to female promoters.

Youths

There were 56 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Numbers	Value €
Total Approved	2,560	36.412M
Start-Up (<18 months)	1,366	
Existing	1,194	
No. of Ltd. Co.	934	
No. of Sole Traders	1,466	
No. of Partnerships	160	
Female	693	
Male	1,867	
Youth (18-25 years old)	56	

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 307 appeals from inception to 31st March 2020 and 50 of these cases have been approved on appeal (16%). These figures are included in the overall approval figures.

Complaints

No complaints were received by the business in quarter 1, 2020.
The number of complaints received by the business since 2012 total 46.

Business Failures

Up to end March 2020, 364 businesses of the 2,221 loans 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

Microfinance Ireland's main referral partners are the Local Enterprise Offices (LEOs). To date, 2,360 of our loan applications were received from the LEOs accounting for 40% of all applications. Of these applications received from the LEOs, 2,341 were fully processed by the 31st March 2020 resulting in 1,211 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.

Direct Applications and Other Channels

While the LEOs remain MFI's primary referral partner, there has been a strong flow of applications via our Direct Channel from enterprises, including modest levels of new business from Bank and ILDN networks referred to us. In the period from inception, Microfinance Ireland has received 3,572 applications via these channels which equates to 60% of all applications. Of these applications, 3,489 were fully processed by the 31st March 2020 resulting in 1,349 being approved giving an approval rate of 39%. The metrics for the Banks and ILDN are detailed separately below:

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, 316 applications have been received as a result of 1,250 referrals made by the Banks. The relationship with the Banks is monitored closely with a view to driving increased performance.

Irish Local Development Network - 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, 294 applications have been submitted since inception of the fund to March 2020, 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.