

Microfinance Ireland

Report on The Microenterprise Loan Fund Scheme as at 30th June 2019



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 30th June 2019

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

- ✓ **5,000 Applications received**
- ✓ **€31.0M Value of loans approved**
- ✓ **5,210 Net jobs supported in 2,174 micro-enterprises**
- ✓ **44% Approval rate**
- ✓ **€26.7M Value of loans drawn**
- ✓ **1,894 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 (21%)	MANUFACTURING (11%)
CONSTRUCTION (9%)	ACCOMMODATION & FOOD SERVICE ACTIVITIES (9%)
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:

- ✓ **4,923 Applications processed to full assessment**
- ✓ **77 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and Performance of the Fund during Quarter 2 2019

Promotion:

A range of marketing and PR activities continued during Q2 2019 to maintain strong brand awareness including:

- Continuation of digital marketing campaigns across social media platforms.
- Expressions of interest remained strong throughout the quarter with a record 986 potential applicants registering their interest in applying through the MFI website
- Email marketing campaigns with potential applicants who had registered their interest previously but had yet to submit an application which continually proves very effective
- Active participation in a broad number of events and seminars including Bizexpo, Start Summit and a number of LEO events.
- MFI was delighted to host Minister Pat Breen Minister along with some customers to announce our annual results in April and which got good PR coverage online with an interview by the CEO on Newstalk's Breakfast Business with Vincent Wall.

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

- Quarterly Review Meeting of MFI /LEO Working Group in April
- Training sessions held in AIB, BOI & Ulster Bank with a total of ~120 Bank staff during April and May with the aim of ensuring a steady flow of referrals. There has been a marked improvement in Bank referrals since the training sessions were held.

Performance:

Overall the performance of the fund in Quarter 2 2019 was very positive. The number of Loan Applications numbered 276 which was a record high and the Approval rate at 42%, while marginally lower than the long-term trend of 44%, was well up on the 38% level reported in 2018. Jobs created or supported totalled 182.

Key performance indicators for Quarter 2 2019:

- | | | |
|---|---|--|
| ✓ | 276 | Applications received |
| ✓ | €1.4M | Value of loans approved |
| ✓ | 182 | Net jobs supported in 109 micro-enterprises |
| ✓ | 42% | Approval rate |
| ✓ | €1.3M | Value of loans drawn |
| ✓ | 88 | Loans drawn |
| ✓ | Average Loan size of €13K | |
| ✓ | 81% approvals granted to businesses employing 3 people or fewer | |
| ✓ | 52% of approvals granted to start-ups (in business for less than 18 months) | |
| ✓ | Wide geographic coverage: 19% of loans granted to Dublin, 81% to the rest of Ireland | |

Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

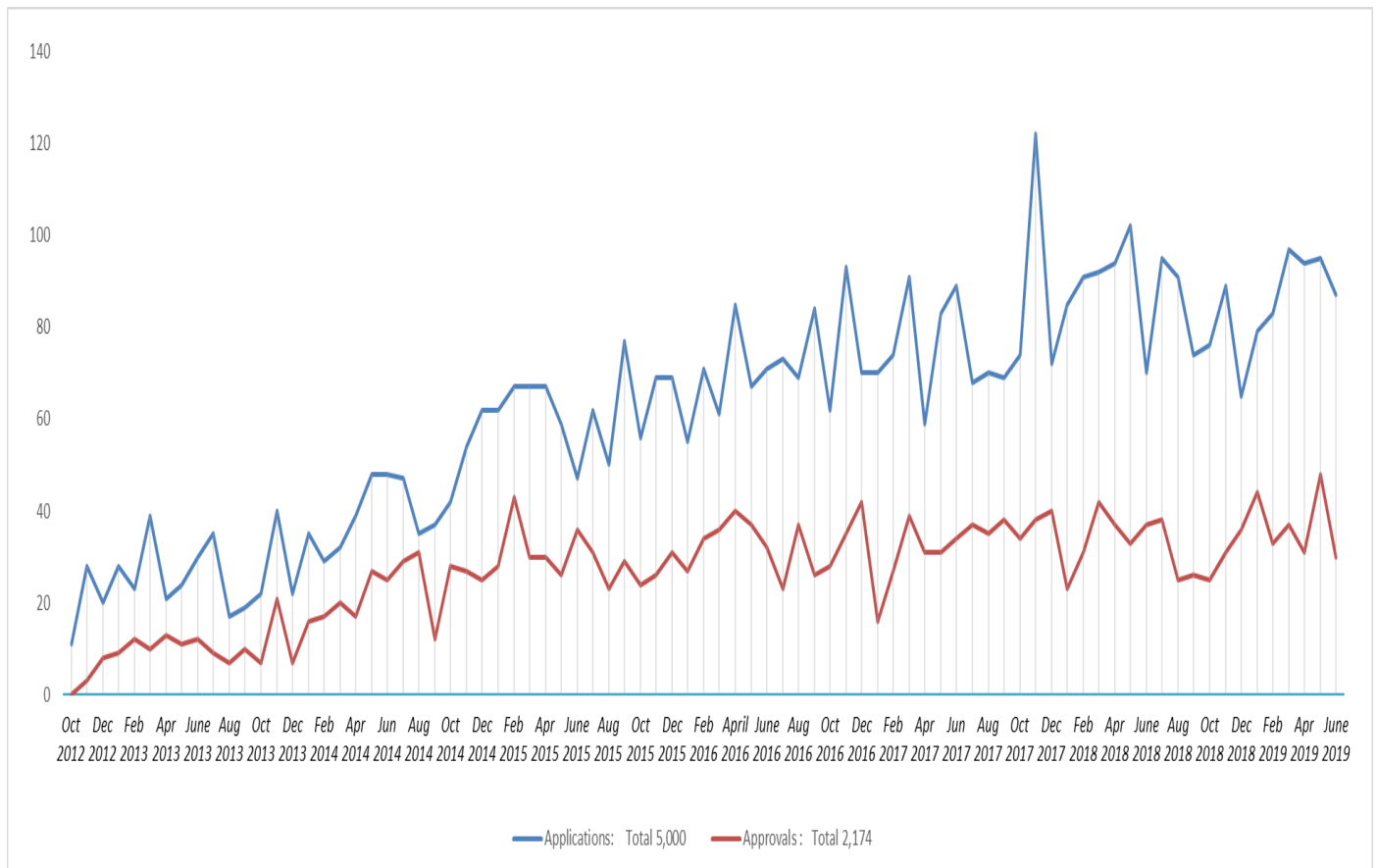
Applications by Quarter

Total Applications Received																		
	2013		2014		2015		2016		2017		2018		Q1 2019		Q2 2019		Total (1st October 2012 to 30th June 2019)	
Total Applications	379	€6.739M	508	€8.451	752	€12.317M	861	€13.567M	941	€13.906M	1,024	€11.793M	259	€3.921M	276	€4.389M	5,000	€78.527M

Total Applications Processed																	
	2013		2014		2015		2016		2017		2018		Q1 2019		Q2 2019		Total (1st October 2012 to 30th June 2019)
Applications Processed		348		483		743		902		927		1021		240		259	4,923
Approved		139		274		357		397		400		384		114		109	2,174
Approval Rate		40%		57%		48%		44%		42%		38%		47%		42%	44%
Approved (€'000)		2,159		4,159		5,378		5,392		5,503		5,361		1,623		1,454	31,029

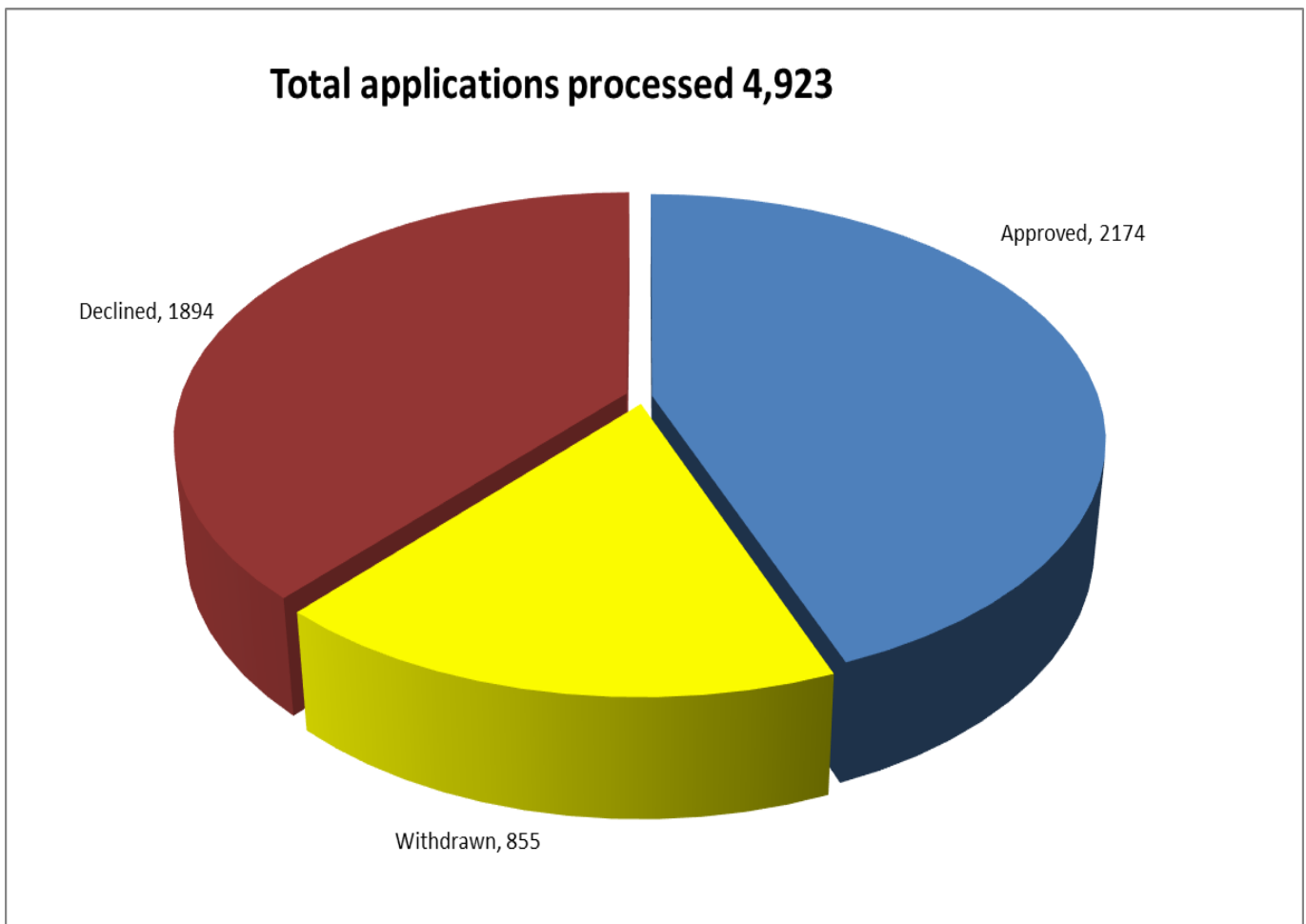
Monthly Growth Trend

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								
	2013	2014	2015	2016	2017	2018	Q1 2019	Q2 2019	Total (1st October 2012 to 30th June 2019)
1	60	141	187	235	195	183	55	64	1120
2-3	56	86	97	91	134	143	35	25	667
4-5	16	22	33	45	37	31	12	10	206
6-9	10	25	40	26	34	27	12	10	184
10									0
Prior period adj	-3	0							-3
Total No. of Loans	139	274	357	397	400	384	114	109	2,174

Approvals by Loan Size

From 1st October 2012 to 30th June 2019, loans were granted in the following size range.

Euro	No. of Loans
≤25k	630
≤20k	242
≤15k	372
≤10k	380
≤5k	550
Total	2,174
Average loan size €14.3K	

Purpose for which Microfinance Loans were granted

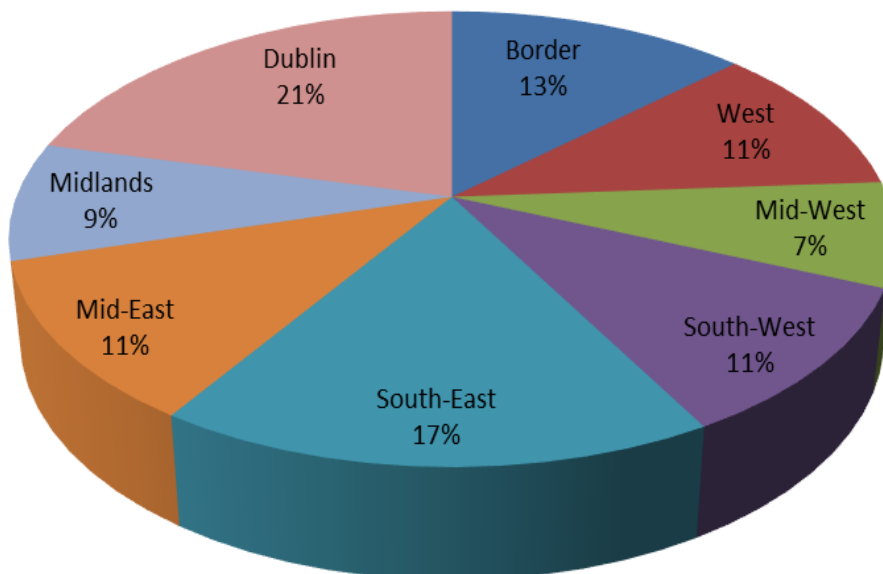
Loans were granted for the following purposes:

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

Geographical Analysis of Approval – from 1st October 2012 to 30th June 2019

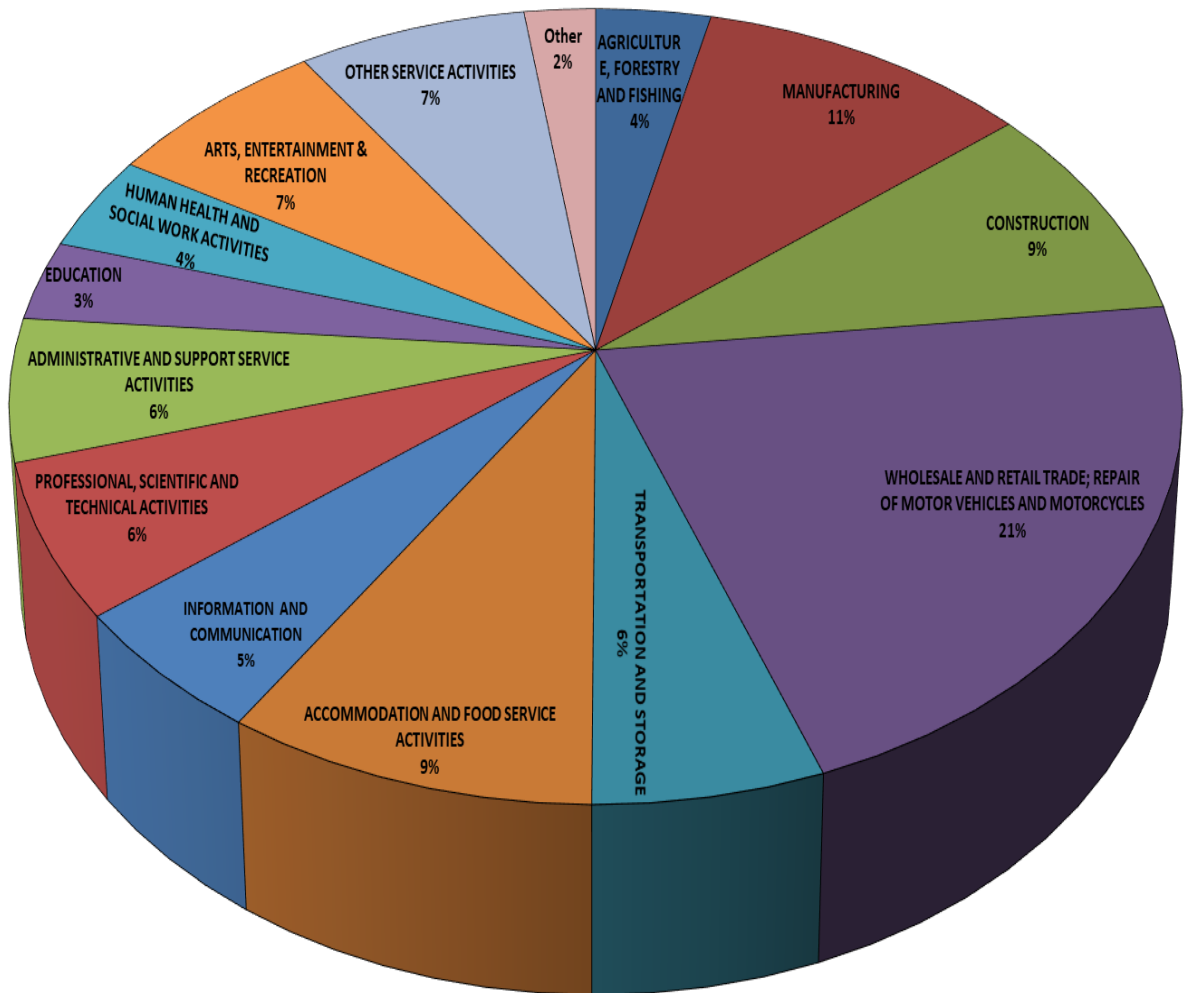
Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	1144	458	Louth	137	46
Cork	400	173	Westmeath	131	56
Meath	261	95	Mayo	129	71
Galway	253	119	Donegal	126	55
Tipperary	220	102	Laois	111	45
Limerick	219	93	Sligo	100	58
Waterford	206	92	Offaly	97	42
Wexford	199	113	Longford	96	40
Kildare	187	83	Roscommon	95	46
Wicklow	169	69	Carlow	77	35
Cavan	144	60	Monaghan	75	28
Clare	142	68	Kilkenny	73	32
Kerry	141	58	Leitrim	68	37
Total Applications Received: 5,000 Total Applications Approved: 2,174					

Approved Loans By Regions



Approval by Business Sector

Loans by Sector



Demographical Analysis

Borrower's legal status

- 795 Microfinance loans were granted to Private Limited Companies
- 1,232 Sole Traders were granted a microfinance loan
- 147 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 2,174 loans approved, 1,202 were start-up enterprises (<18 months) and 972 to existing enterprises.

Gender Breakdown

Of the total applications received 75% (3,734) were from male promoters and 25% (1,266) from female promoters. Of the loans approved as at 30th June 2019, 74% (1,599) were to male promoters while 26% (575) were to female promoters.

Youths

There were 50 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Numbers	Value €
Total Approved	2,174	31.029M
Start-Up (<18 months)	1,202	
Existing	972	
No. of Ltd. Co.	795	
No. of Sole Traders	1,232	
No. of Partnerships	147	
Female	575	
Male	1,599	
Youth (18-25 years old)	50	

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 256 appeals from inception to 30th June 2019 and 43 of these cases have been approved on appeal (17%). These figures are included in the overall approval figures.

Complaints

Two complaints were received by the business in quarter 2, 2019.
The number of complaints received by the business since 2012 total 41.

Business Failures

Up to end June 2019, 308 businesses of the 2,174 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

Microfinance Ireland's main referral partners are the Local Enterprise Offices (LEOs). To date, 2,092 of our loan applications were received from the LEOs accounting for 42% of all applications. Of these applications received from the LEOs, 2,074 were fully processed by the 30th June 2019 resulting in 1,069 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 2,908 applications via these channels which equates to 58% of all applications. Of these applications, 2,849 were fully processed by the 30th June 2019 resulting in 1,105 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, 227 applications have been received as a result of 1,015 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, 276 applications have been submitted since inception of the fund to June 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.