

## Microfinance Ireland

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# Report on The Microenterprise Loan Fund Scheme as at 30th June 2021

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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 Enterprise, Trade and Employment 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, both startups and existing businesses with viable businesses, who cannot obtain funding through traditional sources. (Microenterprises are defined as businesses with less than 10 employees and /or Turnover <€2m)

## Fund Performance Summary: 1st October 2012 to 30th June 2021

As at end June 2021, Microfinance Ireland has been in business for over 8 years. In this time, it has delivered the following key results:

- ✓ **8,471 Applications received**
- ✓ **€66.7M Value of loans approved**
- ✓ **9,518 Net jobs supported in 3,964 micro-enterprises**
- ✓ **47% Approval rate**
- ✓ **€59.1M Value of loans drawn**
- ✓ **3,526 Loans drawn**
- ✓ **Average Loan size of €17K**
- ✓ **80% approvals granted to businesses employing 3 people or fewer**
- ✓ **42% 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 <b>(21%)</b>	ACCOMMODATION & FOOD SERVICE ACTIVITIES <b>(11%)</b>
CONSTRUCTION <b>(9%)</b>	MANUFACTURING <b>(9%)</b>
OTHER SERVICES <b>(9%)</b>	PROFESSIONAL, SCIENTIFIC & TECH ACTIVITIES <b>(7%)</b>
ARTS, ENTERTAINMENT AND RECREATION <b>(6%)</b>	ADMINISTRATION & SUPPORT SER. ACTIVITIES <b>(5%)</b>
TRANSPORT/STORAGE <b>(5%)</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:

- ✓ **8,411 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 Quater 2 2021

### Key performance indicators for Quater 2 2021

✓	<b>348</b>	<b>Applications received</b>
✓	<b>€2.8M</b>	<b>Value of loans approved</b>
✓	<b>285</b>	<b>Net jobs supported in 175 micro-enterprises</b>
✓	<b>49%</b>	<b>Approval rate</b>
✓	<b>€2.6M</b>	<b>Value of loans drawn</b>
✓	<b>163</b>	<b>Loans drawn</b>
✓	Average Loan size of <b>€17K</b>	
✓	<b>87%</b> approvals granted to businesses employing <b>3 people or fewer</b>	
✓	<b>37%</b> of approvals granted to start-ups (in business for less than 18 months)	
✓	<b>Wide geographic coverage:</b> 12% of loans granted to Dublin, 88% to the rest of Ireland	

During the quarter, MFI continued to engage in a range of Marketing and PR initiatives. Through these activities and also our ongoing engagement with our referral partners, in particular the Local Enterprise Network, brand awareness is very strong.

#### **Radio Campaign:**

We followed up the March radio campaign with a second radio campaign in the beginning of June to coincide with the easing of restrictions and the reopening and of several industries. MFI believed there was an opportunity to target large volumes of business owners who needed funds to reopen successfully after what had been a difficult period for trade.

**PR:** Quieter on the PR from than Q1 but we will increase our activity in Q3 with the launch of our Green SPSV product and at the end of the summer we will seek opportunities in a number of publications.

**Digital Advertising /Social Media:** An additional Google Ads campaign was launched in April to target a larger audience and runs indefinitely.

**Online Events/Webinars/Sponsorships:** Recent activity saw the CEO present to the LEO meeting in early July and Head of Channels to promote the Green SPSV product to a group of owner drivers attached to Free Now.

**Customer Success Campaign:** A total of 6 customers have been chosen to take part in interviews about their experience in dealing with MFI and how this has helped their business start, grow and in some cases reopen. The 6 customers have different demographics for the campaign to relate to as many segments as possible. Interviews started in June and are ongoing.

#### **Performance:**

Performance in Quarter 2 was similar to Q1. Demand for our standard products remained strong even with much of the economy still in lockdown. Covid support loans also showed strong demand. Approval rates are marginally better than budgeted. We are providing more partial approvals than the norm in an effort to support as many businesses as possible while remaining within our risk appetite.

While there is still a significant level of uncertainty we are hopeful that demand should grow as the economy reopens and businesses need funds to commence trading. Demand for the Brexit support loan has been very muted, but as businesses begin to trade, demand may increase as Supply Chain issues and other temporary working capital needs arise.

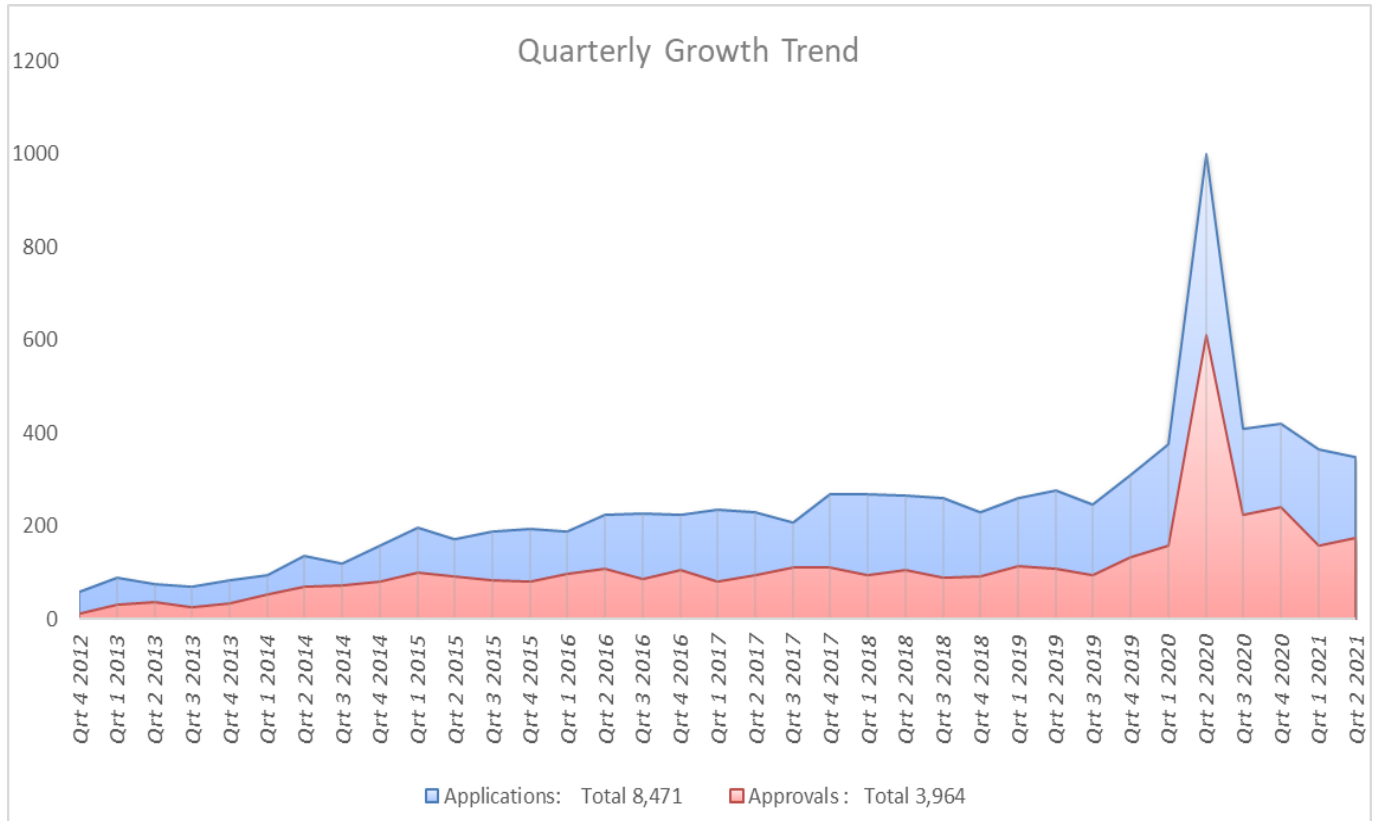
## Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

### Applications by Quarter

Total Applications Received											
	2013	2014	2015	2016	2017	2018	2019	2020	Q1 2021	Q2 2021	Total (1st October 2012 to 31st June 2021)
<b>Total Applications No.</b>	379	508	752	861	941	1024	1092	2202	364	348	8,471
<b>Total Applications Amt.</b>	€6.739M	€8.451M	€12.317M	€13.567M	€13.906M	€15.237M	€16.674M	€51.794M	€6.263M	6.092	€151.040M
Total Applications Processed											
	2013	2014	2015	2016	2017	2018	2019	2020	Q1 2021	Q2 2021	Total (1st October 2012 to 31st June 2021)
<b>Applications Processed</b>	348	483	743	902	927	1021	1068	2212	351	356	8,411
<b>Approved</b>	139	274	357	397	400	384	452	1229	157	175	3,964
<b>Approval Rate</b>	40%	57%	48%	44%	43%	38%	42%	56%	45%	49%	47%
<b>Approved (€'000)</b>	2,159	4,159	5,378	5,392	5,503	5,361	6,043	27,432	2,409	2,877	66,713

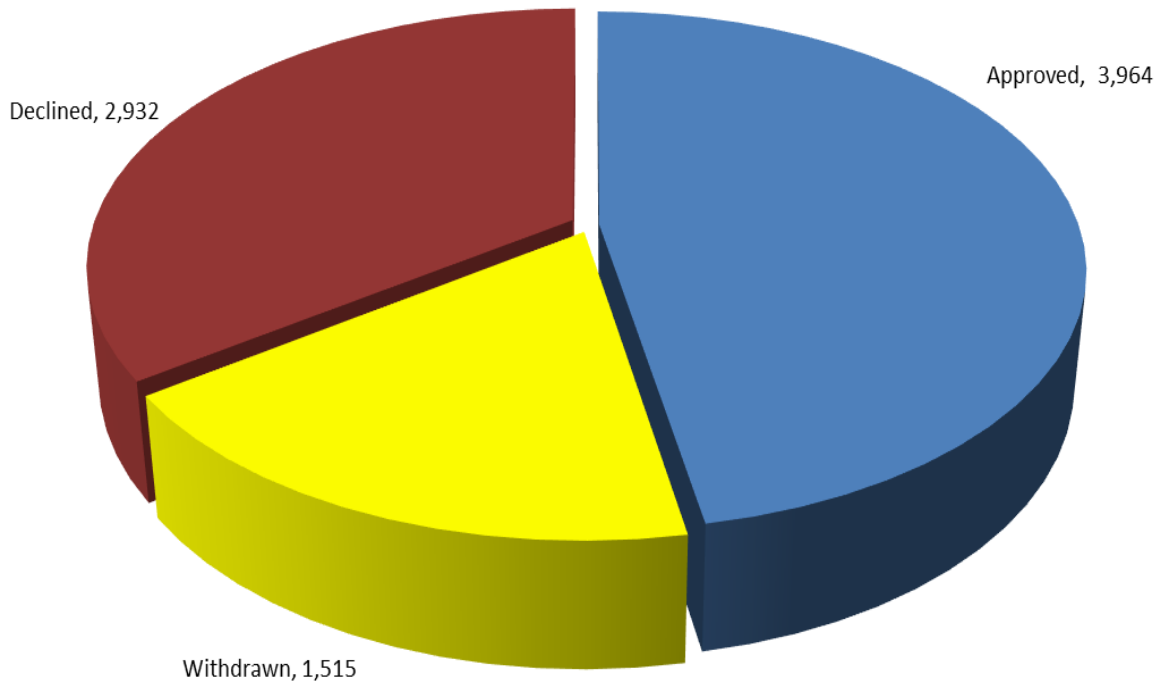
## Quarterly Growth Trend

Application and approval activity levels by Quarter are displayed in the graph below:



## Applications processed

### Total applications processed 8,411



### 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 June 2021)
	2013	2014	2015	2016	2017	2018	2019	2020	Q1 2021	Q2 2021	
1	60	141	187	235	195	183	266	473	85	98	1923
2-3	56	86	97	91	134	143	117	401	50	55	1230
4-5	16	22	33	45	37	31	35	177	16	13	425
6-9	10	25	40	26	34	27	34	178	6	9	389
10											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>400</b>	<b>384</b>	<b>452</b>	<b>1229</b>	<b>157</b>	<b>175</b>	<b>3,964</b>

## Approvals by Loan Size

From 1st October 2012 to 30th June 2021, loans were granted in the following size range.

Euro	No. of Loans
≤50k	288
≤25k	1104
≤20k	444
≤15k	659
≤10k	633
≤5k	836
<b>Total</b>	<b>3,964</b>
Average loan size €16.8K	

## Purpose for which Microfinance Loans were granted

Loans were granted for the following purposes:

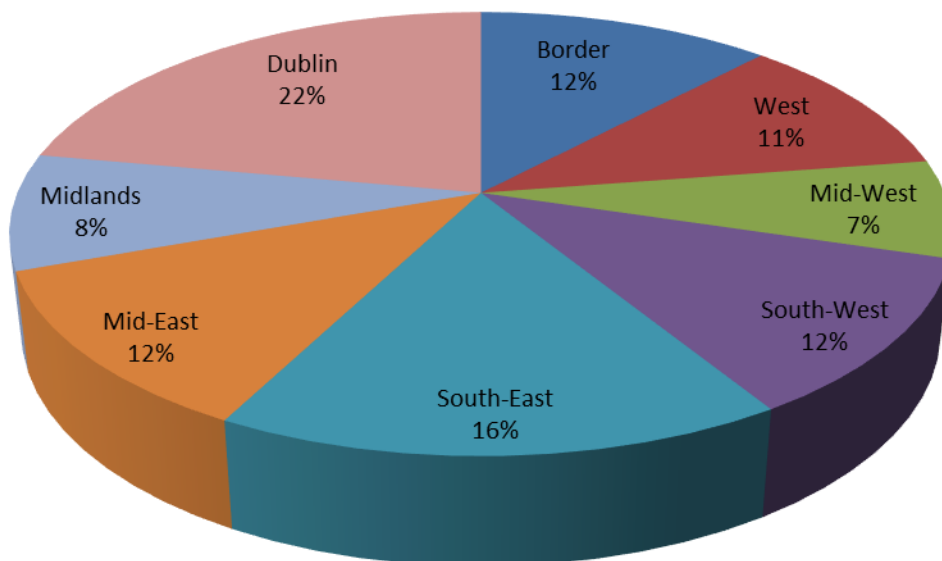
- Working Capital
- Fit-out of Premises
- Purchase of Equipment
- Information & Communications Technology
- Promotion and Marketing



**Geographical Analysis of Approval – from 1st October 2012 to 30th June 2021**

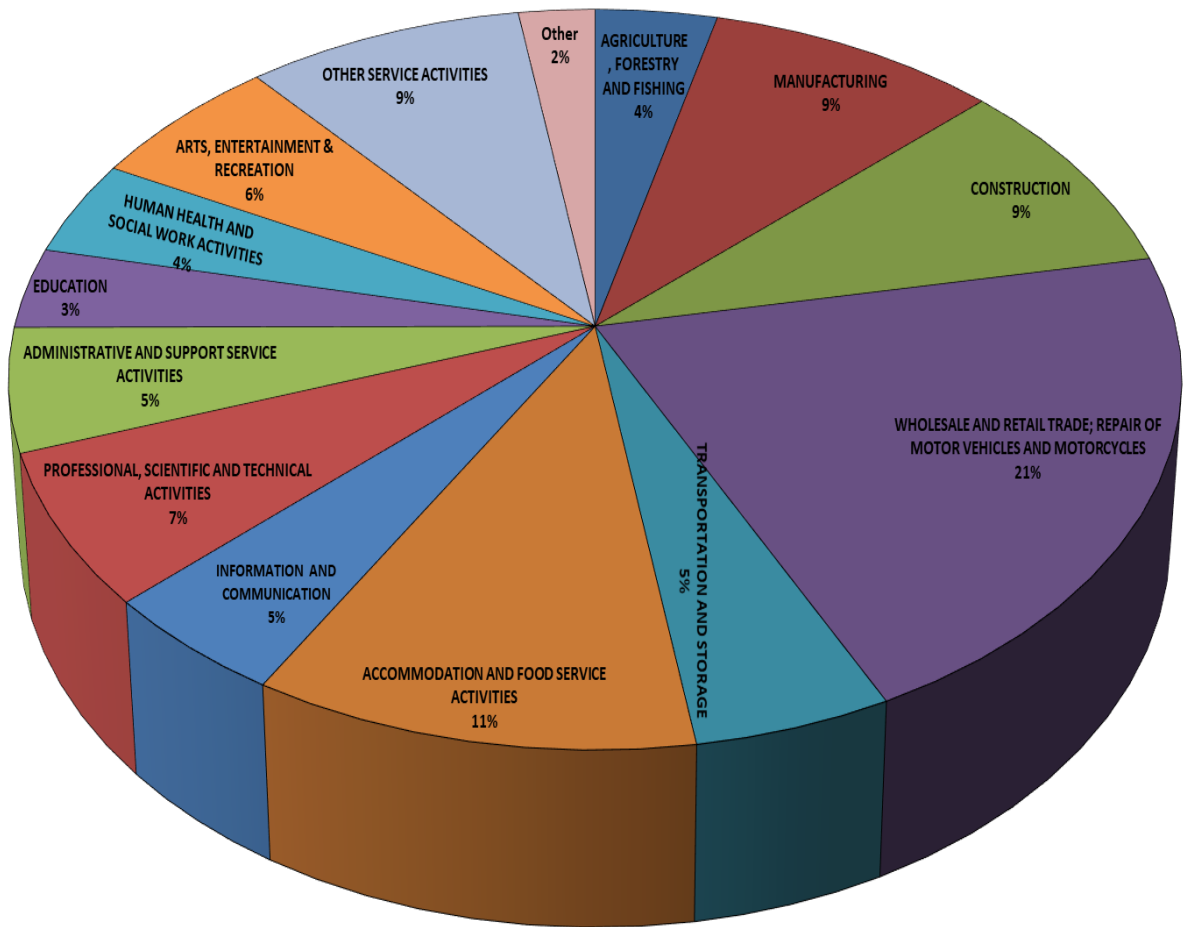
Geographical Spread							
County	Received	Approved	Approved Amount €000	County	Received	Approved	Approved Amount €000
Dublin	2049	876	16,150	Donegal	239	117	2,004
Cork	689	331	5,305	Westmeath	224	110	1,921
Galway	431	214	3,432	Mayo	207	123	1,986
Meath	428	167	2,620	Cavan	197	94	1,188
Wexford	349	201	3,426	Laois	173	79	1,141
Kildare	348	166	2,976	Roscommon	164	81	1,204
Limerick	332	164	2,905	Offaly	164	84	1,428
Waterford	319	155	2,447	Kilkenny	145	76	1,436
Tipperary	318	155	2,376	Sligo	142	74	1,100
Wicklow	306	134	2,159	Longford	141	63	1,018
Kerry	270	124	2,255	Carlow	132	66	1,127
Louth	242	85	1,519	Monaghan	116	51	842
Clare	239	118	1,915	Leitrim	107	56	833
Total Applications Received:				8,471			
Total Applications Approved:				3,964			
Total Applications Approval Amount:				€66.713M			

**Approved Loans By Regions**



Approval by Business Sector

Loans by Sector



## Demographical Analysis

### Borrower's legal status

- 1,609 Microfinance loans were granted to Private Limited Companies
- 2,149 Sole Traders were granted a microfinance loan
- 206 Microfinance loans were granted to Partnerships

### Start-Up/Existing

Of the 3,964 loans approved, 1,666 were start-up enterprises (<18 months) and 2,298 to existing enterprises.

### Gender Breakdown

Of the total applications received 74% (6,245) were from male promoters and 26% (2,226) from female promoters. Of the loans approved as at 30th June 2021, 73% (2,882) were to male promoters while 27% (1,082) were to female promoters.

### Youths

There were 73 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Volume	Value
Total Approved	3,964	66.713M
Start up (18 months)	1,666	
Existing	2,298	
No. of Ltd Co	1,609	
No. of Sole Traders	2,149	
No of Partnerships	206	
Females	1,082	
Males	2,882	
Youth (18-25 years old)	73	

## **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 443 appeals from inception to 30th June 2021 and 87 of these cases have been approved on appeal (20%). These figures are included in the overall approval figures.

## **Complaints**

1 complaint was received by the business in quarter 2, 2021 which brings the total complaints for 2021 to 5. The number of complaints received by the business since 2012 total 54.

## **Business Failures**

Up to end June 2021, 425 businesses of the 3,526 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, 3,225 of our loan applications were received from the LEOs accounting for 38% of all applications. Of these applications received from the LEOs, 3,207 were fully processed by the 30th June 2021 resulting in 1,817 being approved giving an approval rate of 57%. 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 5,246 applications via these channels which equates to 62% of all applications. Of these applications, 5,204 were fully processed by the 30th June 2021 resulting in 2,147 being approved giving an approval rate of 41%. 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, 347 applications have been received as a result of 1,426 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. While volumes are relatively low, 299 applications have been submitted since inception of the fund to June 2021. 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.

**Other Referral Partners** – Referral programme was introduced during 2020 with newer partners - Enterprise Ireland and Údarás na Gaeltachta with limited volumes at present.