

Microfinance Ireland

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

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

- ✓ **5,247 Applications received**
- ✓ **€32.3M Value of loans approved**
- ✓ **5,364 Net jobs supported in 2,270 micro-enterprises**
- ✓ **44% Approval rate**
- ✓ **€27.8M Value of loans drawn**
- ✓ **1,985 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 (22%)	MANUFACTURING (10%)
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:

- ✓ **5,200 Applications processed to full assessment**
- ✓ **47 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and Performance of the Fund during Quarter 3 2019

Promotion:

A range of marketing and PR activities continued during Q3 2019 to maintain strong brand awareness including:

- Continuation of digital marketing campaigns across social media platforms
- Expressions of interest slowed somewhat during the quarter with 774 potential applicants registering their interest in applying through the MFI website. This was a reduction of 20% on the previous quarter
- 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 Brexit events in Cavan & Monaghan, the SME& Entrepreneurship Conference in Dublin along with LEO events

In addition, the Quarterly Review Meeting of MFI /LEO Working Group was held in August

Performance:

Following a record performance in Quarter 2, the performance of the fund in Quarter 3 2019 was not as robust. This is potentially due to the growing negative consumer sentiment in Ireland and current economic uncertainties.

247 Loan Applications were received in the quarter with 96 businesses supported with approved loans totalling €1.3M. Job created or supported continues to be very positive with a net increase in jobs of 154 in the quarter.

Key performance indicators for Quarter 3 2019:

- | | | |
|---|---|---|
| ✓ | 247 | Applications received |
| ✓ | €1.3M | Value of loans approved |
| ✓ | 154 | Net jobs supported in 96 micro-enterprises |
| ✓ | 35% | Approval rate |
| ✓ | €1.1M | Value of loans drawn |
| ✓ | 91 | Loans drawn |
| ✓ | Average Loan size of €13K | |
| ✓ | 84% approvals granted to businesses employing 3 people or fewer | |
| ✓ | 51% of approvals granted to start-ups (in business for less than 18 months) | |
| ✓ | Wide geographic coverage: 25% of loans granted to Dublin, 75% to the rest of Ireland | |

Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

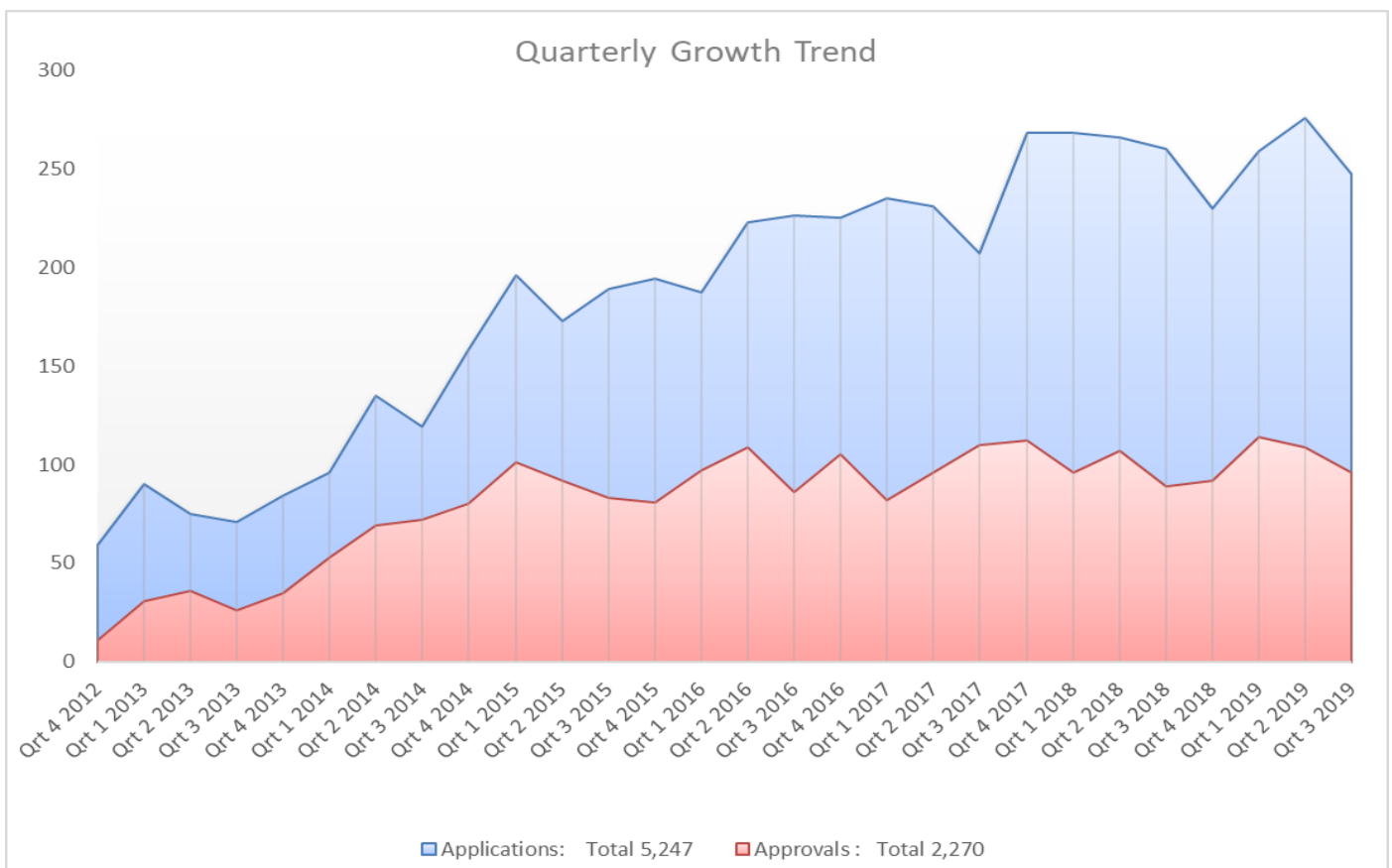
Applications by Quarter

Total Applications Received										
	2013	2014	2015	2016	2017	2018	Q1 2019	Q2 2019	Q3 2019	Total (1st October 2012 to 30th September 2019)
Total Applications No.	379	508	752	861	941	1024	259	276	247	5,247
Total Applications Amt.	€6.739M	€8.451M	€12.317M	€13.567M	€13.906M	€15.237M	€3.921M	€4.389M	€3.678M	€82.205M

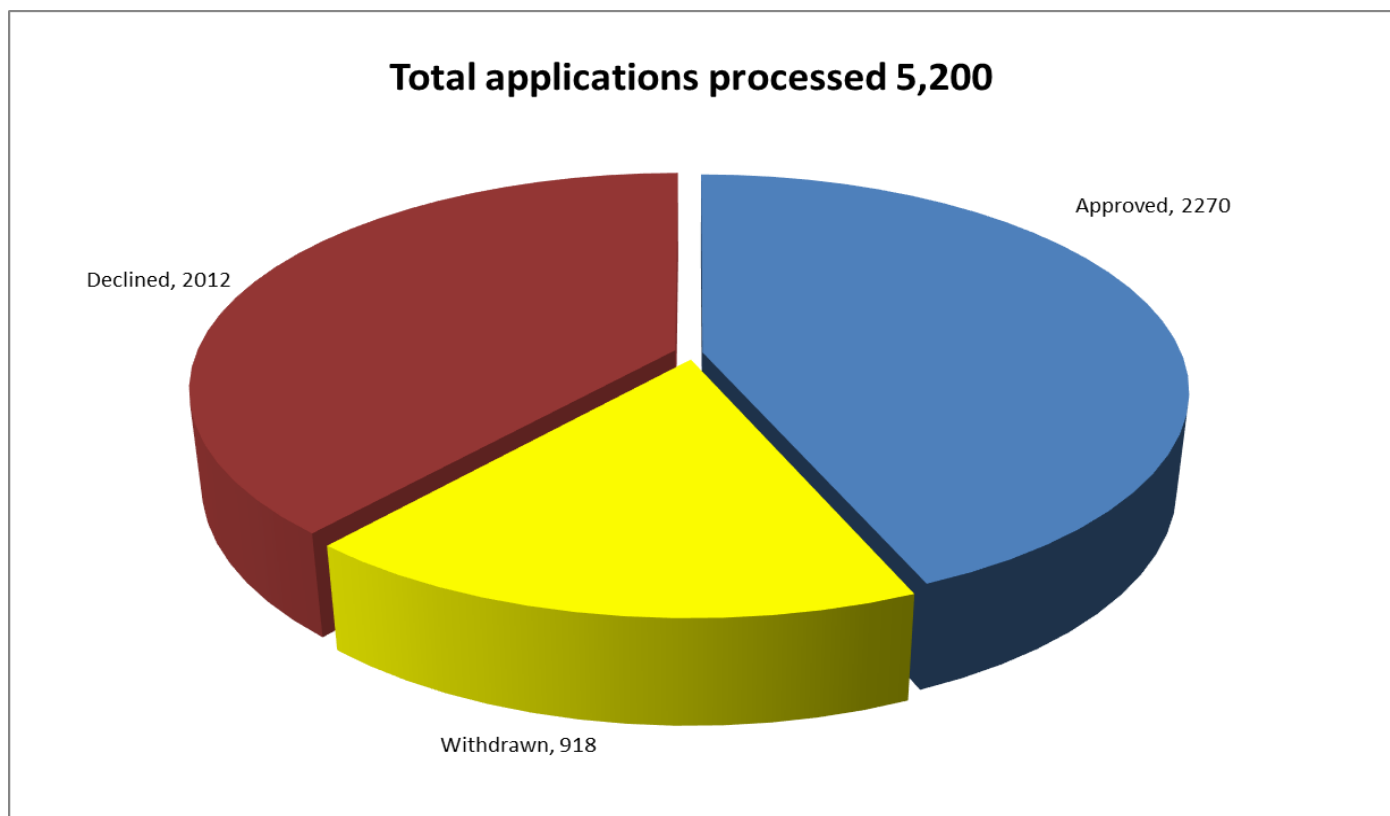
Total Applications Processed										
	2013	2014	2015	2016	2017	2018	Q1 2019	Q2 2019	Q3 2019	Total (1st October 2012 to 30th September 2019)
Applications Processed	348	483	743	902	927	1021	240	259	277	5,200
Approved	139	274	357	397	400	384	114	109	96	2,270
Approval Rate	40%	57%	48%	44%	43%	38%	47%	42%	35%	44%
Approved (€'000)	2,159	4,159	5,378	5,392	5,503	5,361	1,623	1,454	1,280	32,309

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	Q1 2019	Q2 2019	Q3 2019	Total (1st October 2012 to 30th September 2019)
1	60	141	187	235	195	183	55	64	63	1183
2-3	56	86	97	91	134	143	35	25	18	685
4-5	16	22	33	45	37	31	12	10	8	214
6-9	10	25	40	26	34	27	12	10	7	191
10										0
Prior period adj	-3	0								-3
Total No. of Loans	139	274	357	397	400	384	114	109	96	2,270

Approvals by Loan Size

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

Euro	No. of Loans
≤25k	652
≤20k	252
≤15k	393
≤10k	393
≤5k	580
Total	2,270
Average loan size €14.2K	

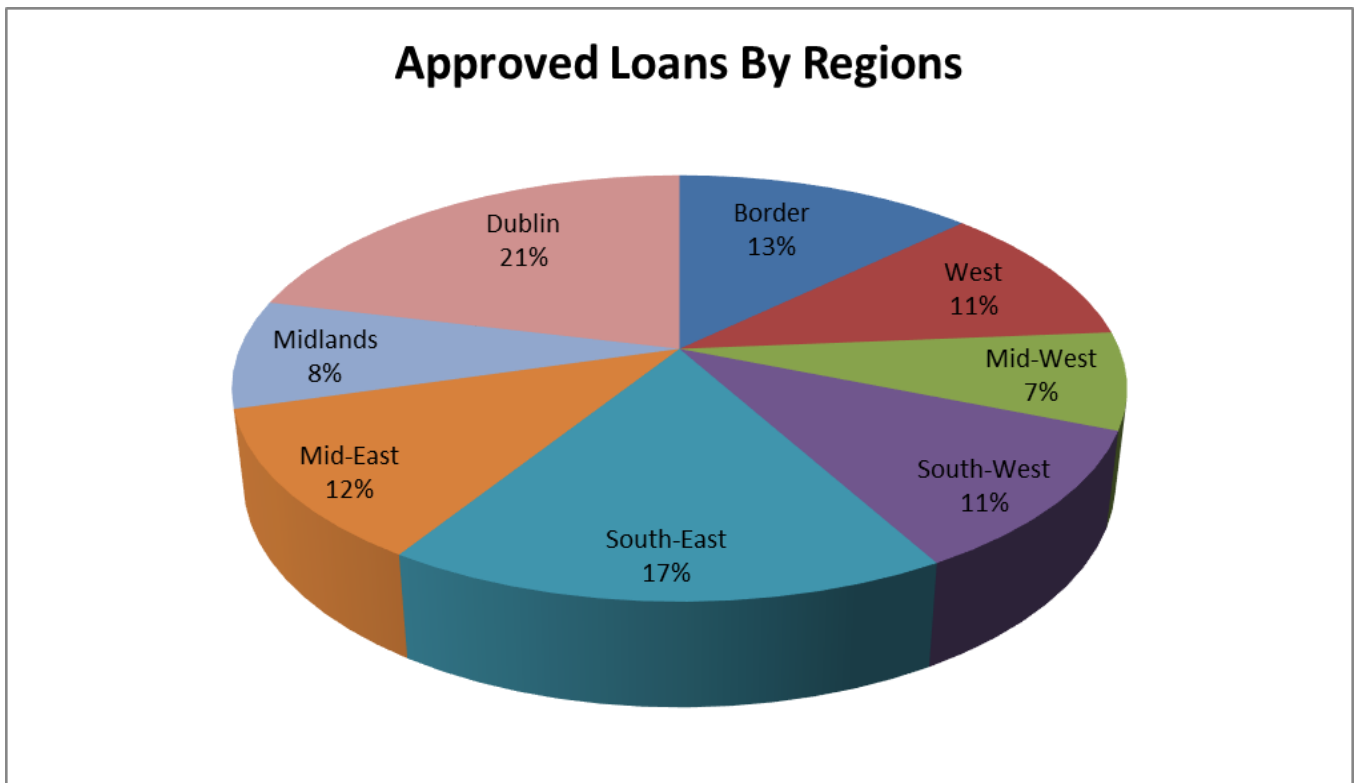
Purpose for which Microfinance Loans were granted

Loans were granted for the following purposes:

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

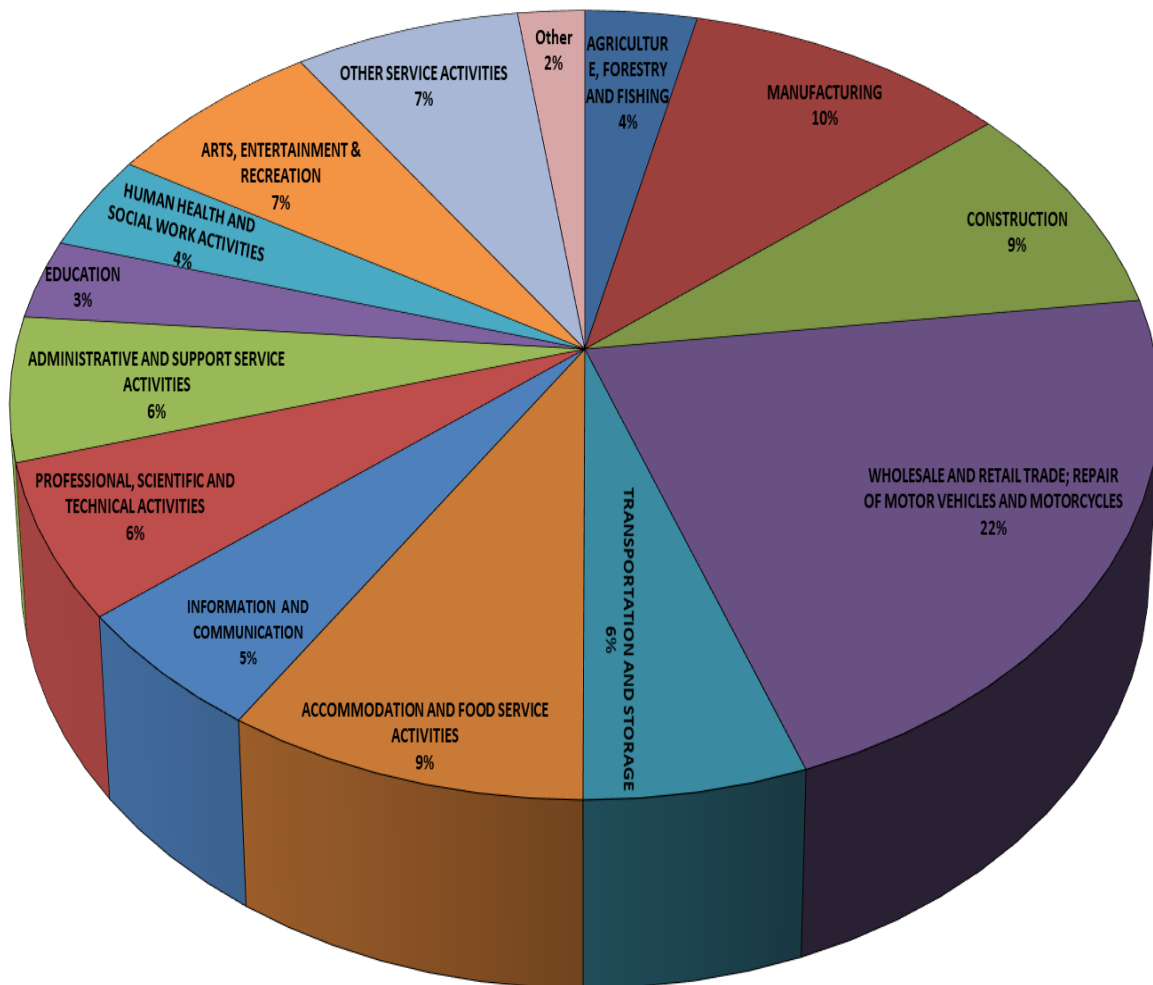
Geographical Analysis of Approval – from 1st October 2012 to 30th September 2019

Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	1215	482	Louth	144	48
Cork	418	183	Westmeath	136	56
Meath	275	100	Donegal	134	57
Galway	261	122	Mayo	132	74
Tipperary	227	104	Laois	117	47
Limerick	227	98	Sligo	103	59
Waterford	219	98	Roscommon	100	49
Wexford	211	121	Offaly	99	43
Kildare	201	87	Longford	98	41
Wicklow	185	74	Monaghan	78	30
Clare	148	69	Carlow	78	35
Cavan	148	61	Kilkenny	77	32
Kerry	146	62	Leitrim	70	38
Total Applications Received: 5,247					
Total Applications Approved: 2,270					



Approval by Business Sector

Loans by Sector



Demographical Analysis

Borrower's legal status

- 832 Microfinance loans were granted to Private Limited Companies
- 1,285 Sole Traders were granted a microfinance loan
- 153 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 2,270 loans approved, 1,251 were start-up enterprises (<18 months) and 1,019 to existing enterprises.

Gender Breakdown

Of the total applications received 74% (3,908) were from male promoters and 26% (1,339) from female promoters. Of the loans approved as at 30th September 2019, 73% (1,668) were to male promoters while 27% (602) were to female promoters.

Youths

There were 51 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Numbers	Value €
Total Approved	2,270	32.309M
Start-Up (<18 months)	1,251	
Existing	1,019	
No. of Ltd. Co.	832	
No. of Sole Traders	1,285	
No. of Partnerships	153	
Female	602	
Male	1,668	
Youth (18-25 years old)	51	

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 280 appeals from inception to 30th September 2019 and 45 of these cases have been approved on appeal (16%). These figures are included in the overall approval figures.

Complaints

Two complaints were received by the business in quarter 3, 2019.

The number of complaints received by the business since 2012 total 43.

Business Failures

Up to end September 2019, 325 businesses of the 1,985 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, 2,170 of our loan applications were received from the LEOs accounting for 41% of all applications. Of these applications received from the LEOs, 2,158 were fully processed by the 30th September 2019 resulting in 1,110 being approved giving an approval rate of 51%. 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 3,077 applications via these channels which equates to 59% of all applications. Of these applications, 3,042 were fully processed by the 30th September 2019 resulting in 1,160 being approved giving an approval rate of 38%. 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, 249 applications have been received as a result of 1,111 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, 282 applications have been submitted since inception of the fund to September 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.