

Microfinance Ireland

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

As at end December 2019, Microfinance Ireland has been in business for over 7 years. In this time, it has delivered the following key results:

- ✓ **5,557 Applications received**
- ✓ **€34.0M Value of loans approved**
- ✓ **6,030 Net jobs supported in 2,403 micro-enterprises**
- ✓ **44% Approval rate**
- ✓ **€29.1M Value of loans drawn**
- ✓ **2,085 Loans drawn**
- ✓ **Average Loan size of €14K**
- ✓ **83% approvals granted to businesses employing 3 people or fewer**
- ✓ **54% 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:

- ✓ **5,492 Applications processed to full assessment**
- ✓ **65 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and Performance of the Fund during 2019

Key performance indicators in 2019:

- ✓ **1,092 Applications received**
- ✓ **€6.0M Value of loans approved**
- ✓ **1,222 Net jobs supported in 452 micro-enterprises**
- ✓ **42% Approval rate**
- ✓ **€5.1M Value of loans drawn**
- ✓ **386 Loans drawn**
- ✓ Average Loan size of **€13K**
- ✓ **85%** approvals granted to businesses employing **3 people or fewer**
- ✓ **47%** of approvals granted to start-ups (in business for less than 18 months)
- ✓ **Wide geographic coverage:** 24% of loans granted to Dublin, 76% to the rest of Ireland

Despite 2019 being a year of growing uncertainty due to external factors such as Brexit, reduced consumer sentiment and suppressed credit demand in Ireland, 2019 was a record year for the business across all key metrics including applications, approvals, loans drawn and jobs supported. In summary:

- Loan Applications grew by 7% to a new demand level of 1,092 applications.
- Approval rates improved in the year to 42% due to a combination of a slightly higher quality of application being received and, based on improved debt management and in-depth knowledge of our marketplace, a marginally higher risk appetite.
- Loans totalling in excess of €6m were approved to 452 businesses. Both new performance levels for the business. Of these, 386 businesses drew down loans totalling €5.1m
- Most importantly the number of jobs supported through the activities of the business continued to grow with 1,222 jobs supported in the year.
- Loan Applications continue to be well spread geographically and by types of enterprises, with the majority continuing to be start-ups.
- MFI's direct channel for Loan Applications continues to grow steadily and is now the largest channel for receipt of applications, representing 59% by number in 2019. MFI is also very reliant for referrals from our referral partners: Local Enterprise Office Network, Local Development Companies and Banks.

Strong brand awareness is achieved through a broad range of marketing activities, including advertising, PR, partner engagements and events. While MFI continued to utilise traditional media with a range of print and local radio advertising campaigns, during the year there was also a strong focus on digital marketing/social media campaigns to communicate and engage with MFI's target market with strong progress achieved in the year. Both traditional and digital marketing continued to prove successful in delivering a steady volume of applications.

MFI's performance highlighting the ongoing need for the provisions of financial supports for this vulnerable but key sector in Ireland and is being delivered predominately through an increased awareness of Microfinance Ireland's unique product offering in the marketplace,(which focusses on start-ups and established businesses that cannot get funding through traditional sources).

Promotion and Performance of the Fund during Quarter 4 2019

Key performance indicators for Quarter 4 2019:

✓	310	Applications received
✓	€1.7M	Value of loans approved
✓	666	Net jobs supported in 133 micro-enterprises
✓	46%	Approval rate
✓	€1.3M	Value of loans drawn
✓	100	Loans drawn
✓	Average Loan size of €13K	
✓	92% approvals granted to businesses employing 3 people or fewer	
✓	40% of approvals granted to start-ups (in business for less than 18 months)	
✓	Wide geographic coverage: 24% of loans granted to Dublin, 76% to the rest of Ireland	

A range of marketing and PR activities continued during Q4 2019 to maintain strong brand awareness including:

- Continuation of digital marketing campaigns across social media platforms
- Third radio campaign ran in early October over 12 days and resulted in an increase in loan enquiries as expected
- 831 expressions of interest in applying through the MFI website, which was an 7% increase on the previous quarter.
- Email marketing campaigns with potential applicants who had registered their interest previously but had not yet submitted an application
- Active participation in a number of events and seminars to include National Women’s Enterprise Day, Acorns and Access to Finance workshops arranged through LEO Louth

In addition, a Quarterly Review Meeting with LEOs, a key referral partner, was held in November.

Performance:

Quarter 4 2019 was a record quarter for the business with 310 applications received. This followed a series of volatile quarters. Overall, growth in the year was a very satisfactory 7%.

Approval rates remained strong, at 46%, in Quarter 4 and supported €1.7m in loans being approved for 133 businesses. Following our year end job boost, 666 jobs were supported in the quarter.

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	Q4 2019	Total (1st October 2012 to 31st December 2019)
Total Applications No.	379	508	752	861	941	1024	259	276	247	310	5,557
Total Applications Amt.	€6.739M	€8.451M	€12.317M	€13.567M	€13.906M	€15.237M	€3.921M	€4.389M	€3.678M	€4.686M	€86.891M

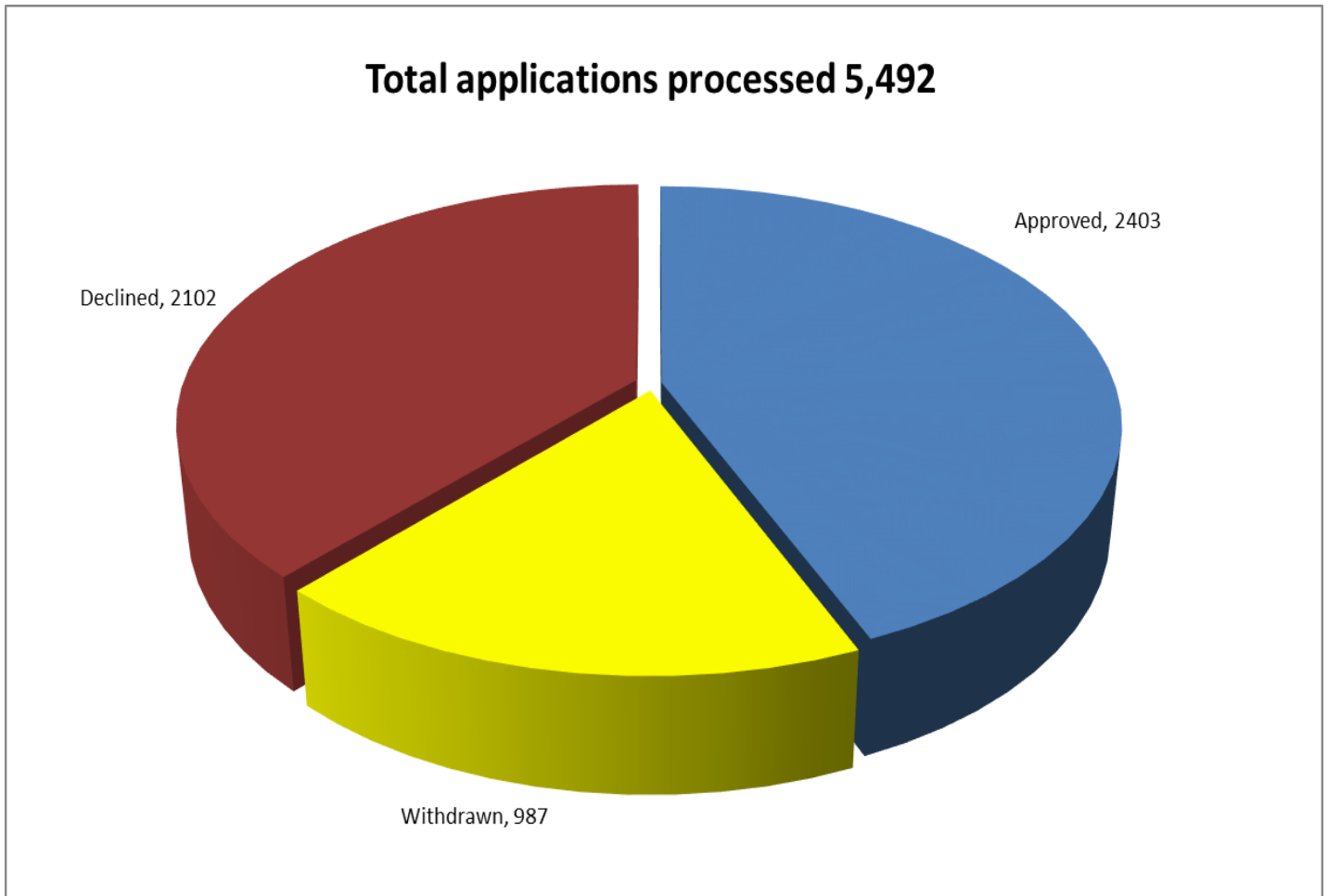
Total Applications Processed											
	2013	2014	2015	2016	2017	2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Total (1st October 2012 to 31st December 2019)
Applications Processed	348	483	743	902	927	1021	240	259	277	292	5,492
Approved	139	274	357	397	400	384	114	109	96	133	2,403
Approval Rate	40%	57%	48%	44%	43%	38%	47%	42%	35%	46%	44%
Approved (€'000)	2,159	4,159	5,378	5,392	5,503	5,361	1,623	1,454	1,280	1,686	33,995

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	Q4 2019	Total (1st October 2012 to 31st December 2019)
1	60	141	187	235	195	183	55	64	63	84	1267
2-3	56	86	97	91	134	143	35	25	18	39	724
4-5	16	22	33	45	37	31	12	10	8	5	219
6-9	10	25	40	26	34	27	12	10	7	5	196
10											0
Prior period adj	-3	0									-3
Total No. of Loans	139	274	357	397	400	384	114	109	96	133	2,403

Approvals by Loan Size

From 1st October 2012 to 31st December 2019, loans were granted in the following size range.

Euro	No. of Loans
≤25k	682
≤20k	260
≤15k	422
≤10k	419
≤5k	620
Total	2,403
<i>Average loan size €14.1K</i>	

Purpose for which Microfinance Loans were granted

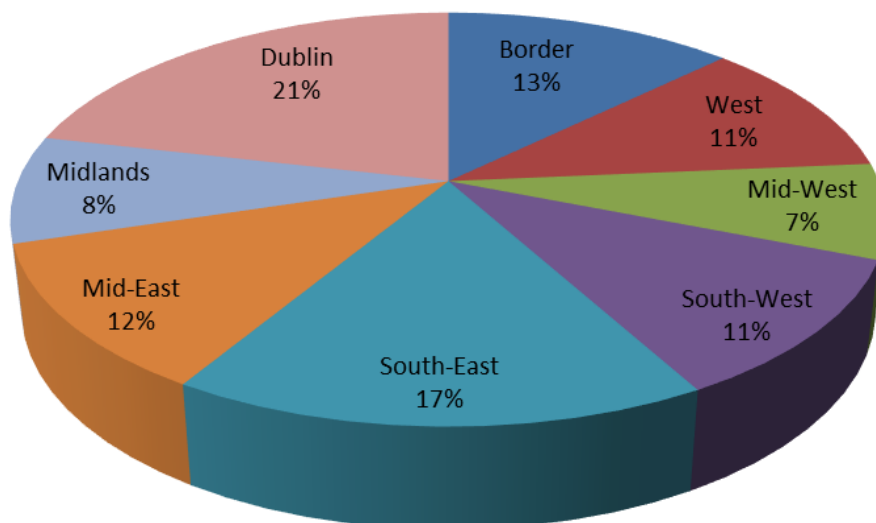
Loans were granted for the following purposes:

- 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 December 2019

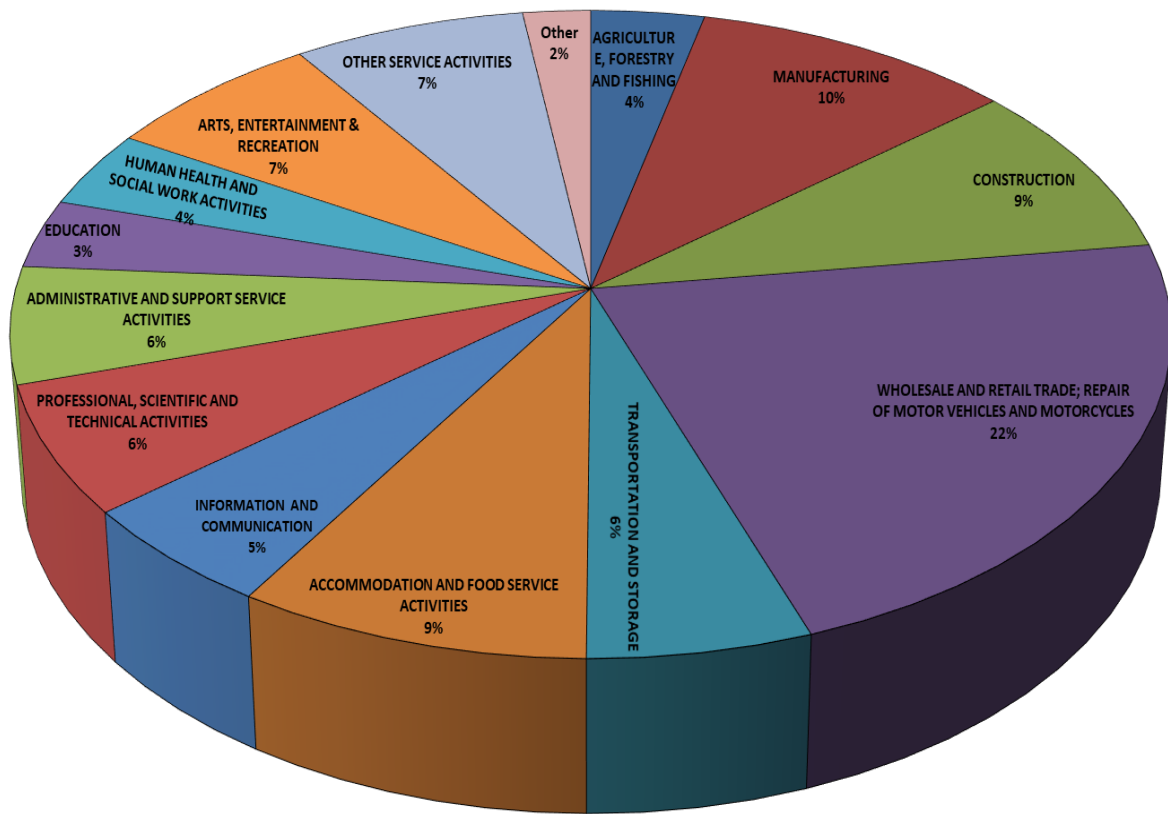
Geographical Spread							
County	Received	Approved	Approved Amount €000	County	Received	Approved	Approved Amount €000
Dublin	1294	514	7,684	Cavan	150	63	601
Cork	446	197	2,871	Donegal	146	62	926
Meath	292	109	1,514	Westmeath	141	61	885
Galway	275	128	1,825	Mayo	140	78	1,114
Limerick	237	104	1,677	Laois	124	53	590
Tipperary	234	105	1,290	Roscommon	110	54	736
Waterford	229	101	1,209	Offaly	108	46	568
Wexford	226	128	1,777	Longford	104	42	624
Kildare	212	89	1,376	Sligo	105	60	909
Wicklow	202	79	1,119	Carlow	82	36	495
Clare	157	74	1,058	Monaghan	81	31	358
Kerry	153	66	997	Kilkenny	81	32	459
Louth	153	51	805	Leitrim	75	40	528
Total Applications Received:					5,557		
Total Applications Approved:					2,403		
Total Applications Approval Amount:					€33.995M		

Approved Loans By Regions



Approval by Business Sector

Loans by Sector



Demographical Analysis

Borrower's legal status

- 875 Microfinance loans were granted to Private Limited Companies
- 1,373 Sole Traders were granted a microfinance loan
- 155 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 2,403 loans approved, 1,304 were start-up enterprises (<18 months) and 1,099 to existing enterprises.

Gender Breakdown

Of the total applications received 74% (4,126) were from male promoters and 26% (1,431) from female promoters. Of the loans approved as at 31st December 2019, 73% (1,758) were to male promoters while 27% (645) were to female promoters.

Youths

There were 55 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Numbers	Value €
Total Approved	2,403	33.995M
Start-Up (<18 months)	1,304	
Existing	1,099	
No. of Ltd. Co.	875	
No. of Sole Traders	1,373	
No. of Partnerships	155	
Female	645	
Male	1,758	
Youth (18-25 years old)	55	

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 297 appeals from inception to 31st December 2019 and 48 of these cases have been approved on appeal (16%). These figures are included in the overall approval figures.

Complaints

Three complaints were received by the business in quarter 4, 2019.
The number of complaints received by the business since 2012 total 46.

Business Failures

Up to end December 2019, 346 businesses of the 2,085 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, 2,257 of our loan applications were received from the LEOs accounting for 41% of all applications. Of these applications received from the LEOs, 2,235 were fully processed by the 31st December 2019 resulting in 1,151 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 3,300 applications via these channels which equates to 59% of all applications. Of these applications, 3,257 were fully processed by the 31st December 2019 resulting in 1,252 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, 286 applications have been received as a result of 1,211 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, 290 applications have been submitted since inception of the fund to December 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.