

Microfinance Ireland

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

A review of the performance of the Fund was concluded in early 2020. This Review highlighted the value of the Fund and recommended its continuation. To support the long-term future of the Fund, new legislation has now been approved, increasing Exchequer funding by €70m to €95m and increasing borrowing powers to €100m.

Fund Performance Summary: 1st October 2012 to 30th September 2020

As at end September 2020, Microfinance Ireland has been in business for 8 years. In this time, it has delivered the following key results:

- ✓ **7,339 Applications received**
- ✓ **€57.2M Value of loans approved**
- ✓ **8,657 Net jobs supported in 3,392 micro-enterprises**
- ✓ **47% Approval rate**
- ✓ **€49.9M Value of loans drawn**
- ✓ **2,983 Loans drawn**
- ✓ **Average Loan size of €17K**
- ✓ **79% approvals granted to businesses employing 3 people or fewer**
- ✓ **44% of approvals granted to start-ups (in business for less than 18 months)**
- ✓ **Wide geographic coverage: 23% of loans granted to Dublin, 77% to the rest of Ireland**

Successful applicants by sector:

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

Assessing applications efficiently:

- ✓ **7,190 Applications processed to full assessment**
- ✓ **149 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and performance of the Fund during Quarter 3 2020

Key performance indicators for Quarter 3 2020

✓	408	Applications received
✓	€5.1M	Value of loans approved
✓	634	Net jobs supported in 223 micro-enterprises
✓	47%	Approval rate
✓	€6.2M	Value of loans drawn
✓	239	Loans drawn
✓	Average Loan size of €23K	
✓	67% approvals granted to businesses employing 3 people or fewer	
✓	21% 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	

Promotion

During the quarter, MFI continued to engage in a range of marketing initiatives across all key areas.

Digital Advertising /Social Media: Over the quarter we have continually promoted the availability of finance across all social media channels.

PR: At relaunch of the funds at the end of August the business received a good range of positive media coverage and also radio interviews on three channels.

In addition, a number of articles were featured in a range of business publications.

Online Events/Webinars: MFI team continued to accept all invitations to participate in online seminars and events to promote MFI's support message.

Ongoing engagement with our referral partners, in particular the Local Enterprise Network

Performance:

Due to the unprecedented demand for the Fund and pending the passing of legislation enabling further funding being made available to Microfinance Ireland, it was necessary to suspend the taking of new applications in early July.

The Funds relaunched at the end of August with an amended phase 2 COVID19 Loan Product, capping the maximum loan size at €25,000. Despite the enforced suspension of the funds, performance in the quarter was excellent. Application volumes were MFI's second highest ever, only bettered by Quarter 2 2020. The range of supports now in the market probably reduced demand somewhat over the previous quarter, as has the reduction in the maximum loan size.

Demand in the quarter was 65% higher than the same period in 2019. As would be expected, this level of demand is heavily dominated by COVID19 Loan applications.

Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

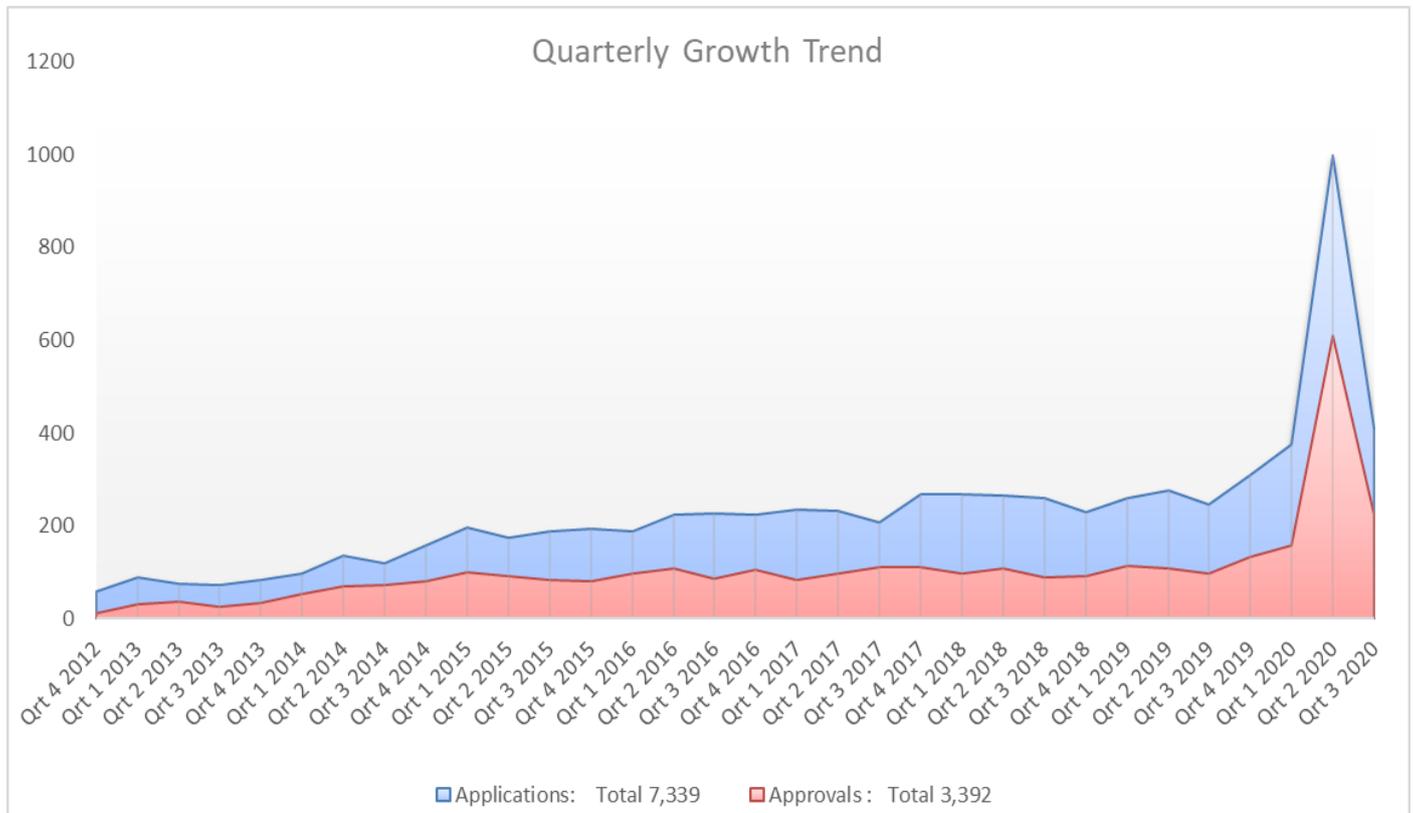
Applications by Quarter

Total Applications Received											
	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Q2 2020	Q3 2020	Total (1st October 2012 to 30th September 2020)
Total Applications No.	379	508	752	861	941	1024	1092	375	999	408	7,339
Total Applications Amt.	€6.739M	€8.451M	€12.317M	€13.567M	€13.906M	€15.237M	€16.674M	€7.183M	€27.974M	€8.964M	€131.012M

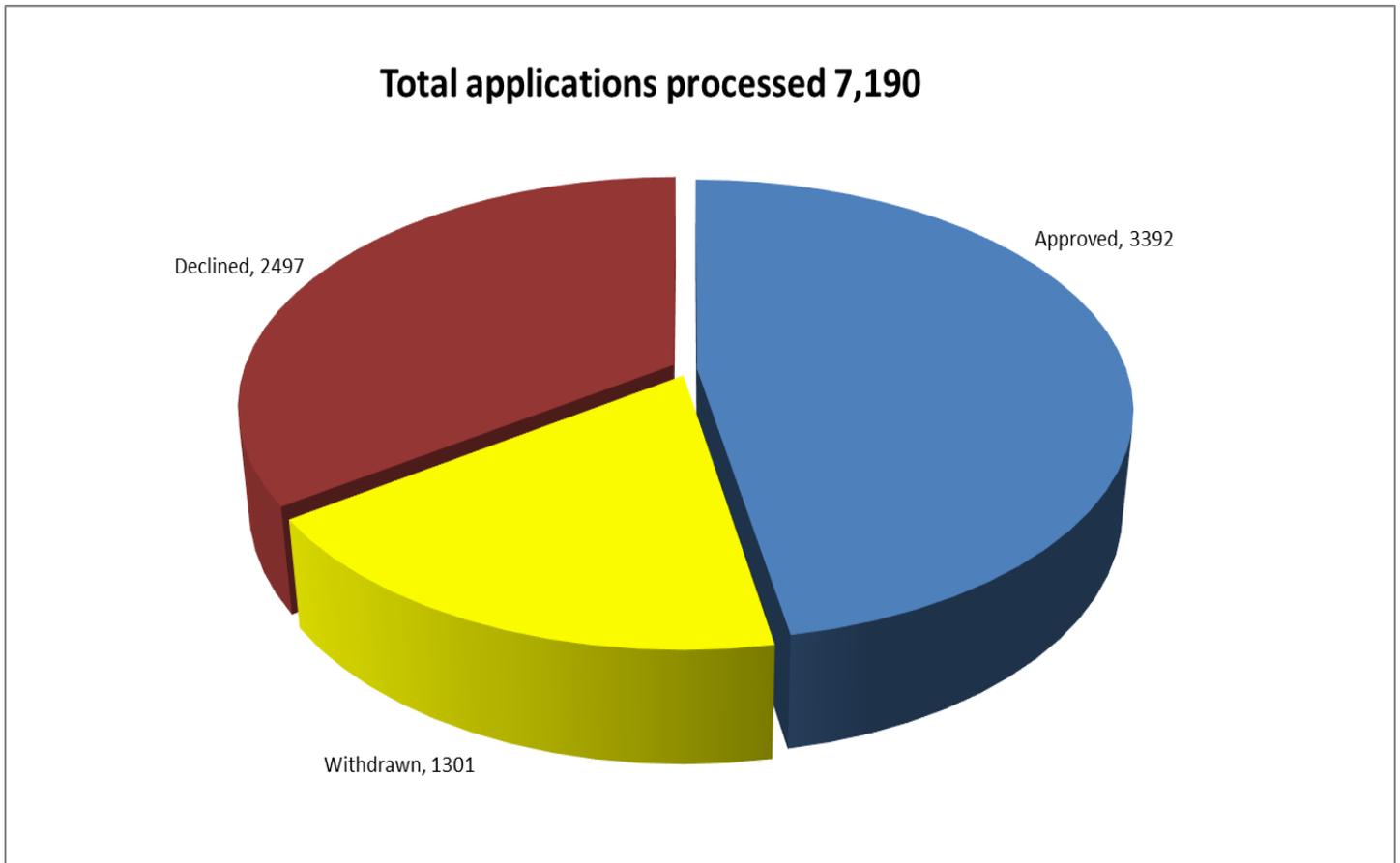
Total Applications Processed											
	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Q2 2020	Q3 2020	Total (1st October 2012 to 30th September 2020)
Applications Processed	348	483	743	902	927	1021	1068	338	888	472	7,190
Approved	139	274	357	397	400	384	452	157	609	223	3,392
Approval Rate	40%	57%	48%	44%	43%	38%	42%	46%	69%	47%	47%
Approved (€'000)	2,159	4,159	5,378	5,392	5,503	5,361	6,043	2,417	15,655	5,112	57,179

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										Total (1st October 2012 to 30th September 2020)
	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Q2 2020	Q3 2020	
1	60	141	187	235	195	183	266	85	230	73	1655
2-3	56	86	97	91	134	143	117	53	188	76	1041
4-5	16	22	33	45	37	31	35	12	91	38	360
6-9	10	25	40	26	34	27	34	7	100	36	339
10											0
Prior period adj	-3	0									-3
Total No. of Loans	139	274	357	397	400	384	452	157	609	223	3,392

Approvals by Loan Size

From 1st October 2012 to 30th September 2020, loans were granted in the following size range.

Euro	No. of Loans
≤50k	288
≤25k	875
≤20k	379
≤15k	547
≤10k	555
≤5k	748
Total	3,392
Average loan size €16.9K	

Purpose for which Microfinance Loans were granted

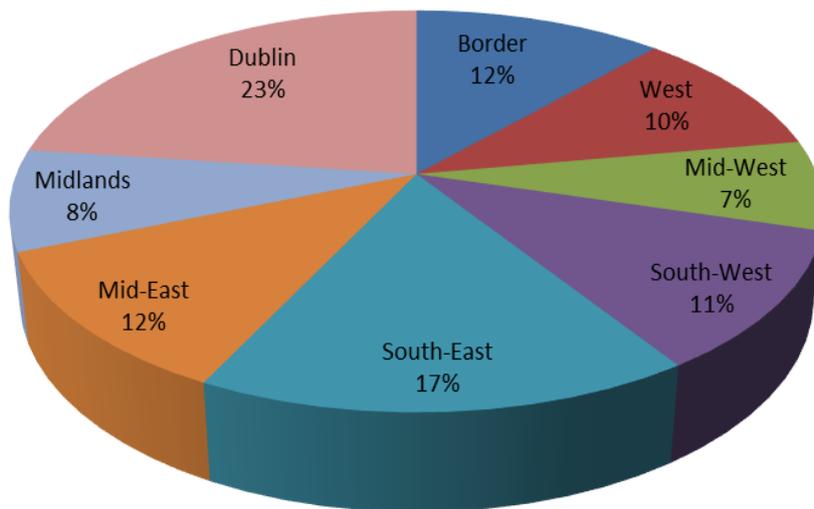
Loans were granted for the following purposes:

- 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 2020

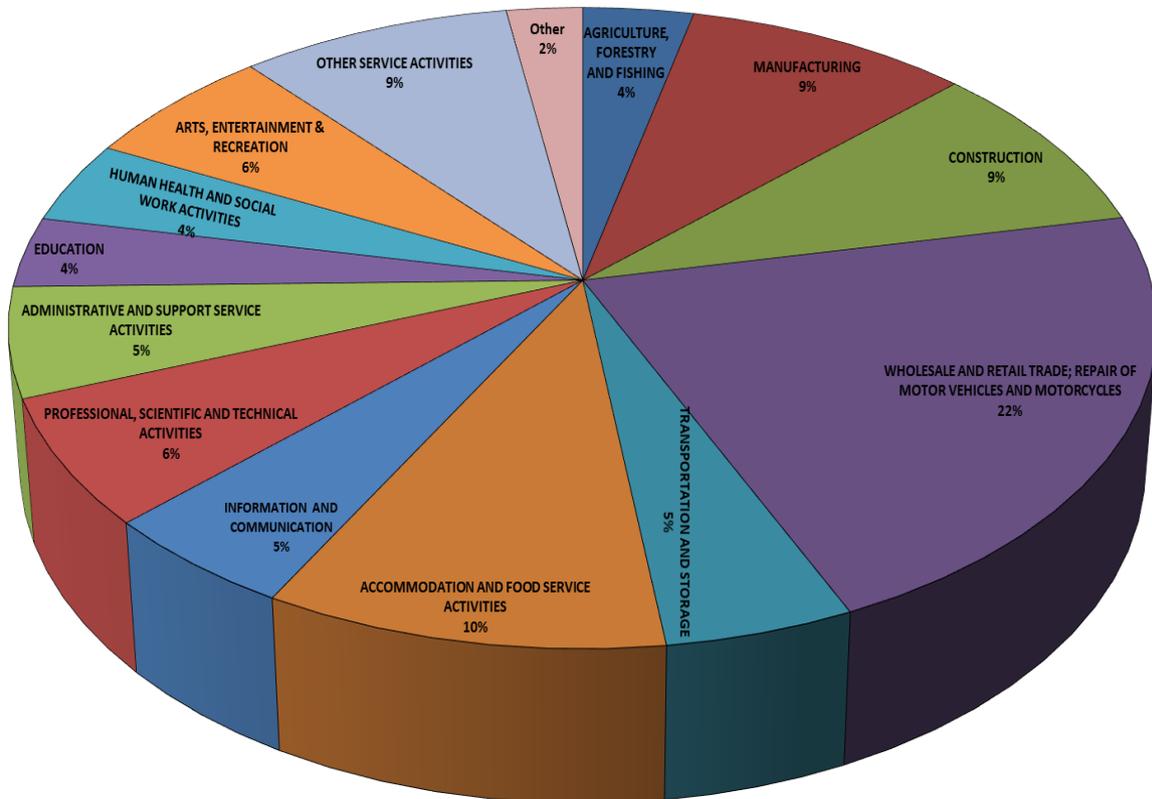
Geographical Spread							
County	Received	Approved	Approved Amount €000	County	Received	Approved	Approved Amount €000
Dublin	1775	780	14,360	Donegal	191	91	1,559
Cork	597	274	4,381	Westmeath	190	87	1,452
Galway	373	183	2,942	Mayo	180	102	1,628
Meath	365	144	2,228	Cavan	177	79	961
Wexford	306	173	2,998	Laois	155	69	1,004
Kildare	299	140	2,638	Offaly	142	70	1,164
Limerick	296	140	2,524	Roscommon	140	69	956
Waterford	286	138	2,125	Kilkenny	124	60	1,183
Tipperary	284	136	2,049	Sligo	123	67	1,018
Wicklow	266	108	1,720	Longford	119	50	802
Kerry	227	106	1,980	Carlow	113	57	998
Clare	210	105	1,721	Monaghan	103	45	740
Louth	206	71	1,309	Leitrim	92	48	739
Total Applications Received:				7,339			
Total Applications Approved:				3,392			
Total Applications Approval Amount:				€57,179M			

Approved Loans By Regions



Approval by Business Sector

Loans by Sector



Demographical Analysis

Borrower's legal status

- 1,365 Microfinance loans were granted to Private Limited Companies
- 1,834 Sole Traders were granted a microfinance loan
- 193 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 3,392 loans approved, 1,476 were start-up enterprises (<18 months) and 1,916 to existing enterprises.

Gender Breakdown

Of the total applications received 74% (5,432) were from male promoters and 26% (1,907) from female promoters. Of the loans approved as at 30th September 2020, 73% (2,469) were to male promoters while 27% (923) were to female promoters.

Youths

There were 62 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Numbs	Value €
Total Approved	3,392	€57.179M
Start-Up (<18 months)	1,476	
Existing	1,916	
No. of Ltd. Co.	1,365	
No. of Sole Traders	1,834	
No. of Partnerships	193	
Female	923	
Male	2,469	
Youth (18-25 years old)	62	

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 366 appeals from inception to 30th September 2020 and 72 of these cases have been approved on appeal (20%). These figures are included in the overall approval figures.

Complaints

No complaints were received by the business in Quarter 3, 2020.
The number of complaints received by the business since 2012 total 46.

Business Failures

Up to end September 2020, 376 businesses of the 2,983 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, 2,847 of our loan applications were received from the LEOs accounting for 39% of all applications. Of these applications received from the LEOs, 2,808 were fully processed by the 30th September 2020 resulting in 1,562 being approved giving an approval rate of 56%. 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 4,492 applications via these channels which equates to 61% of all applications. Of these applications, 4,382 were fully processed by the 30th September 2020 resulting in 1,830 being approved giving an approval rate of 42%. 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, 337 applications have been received as a result of 1,321 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, 298 applications have been submitted since inception of the fund to September 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.

Enterprise Ireland – MFI commenced a referral process with Enterprise Ireland early in Q2 2020 to support EI HPSU clients that meet MFI's eligibility criteria. In the quarter, 10 referrals were made resulting in 1 application received.