

## Microfinance Ireland

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# Report on The Microenterprise Loan Fund Scheme as at 31st December 2020

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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 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 31st December 2020

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

- ✓ **7,759** Applications received
- ✓ **€61.4M** Value of loans approved
- ✓ **9,002** Net jobs supported in **3,632** micro-enterprises
- ✓ **47%** Approval rate
- ✓ **€53.9M** Value of loans drawn
- ✓ **3,199** Loans drawn
- ✓ Average Loan size of **€17K**
- ✓ **79%** 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:** 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 ( <b>21%</b> )	ACCOMMODATION & FOOD SERVICE ACTIVITIES ( <b>10%</b> )
CONSTRUCTION ( <b>9%</b> )	MANUFACTURING ( <b>9%</b> )
OTHER SERVICES ( <b>9%</b> )	ARTS, ENTERTAINMENT AND RECREATION ( <b>6%</b> )
PROFESSIONAL, SCIENTIFIC & TECH ACTIVITIES ( <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>4%</b> )	OTHER ( <b>3%</b> )

### Assessing applications efficiently:

- ✓ **7,704** Applications processed to full assessment
- ✓ **55** Applications in progress at reporting date
- ✓ Endeavour to process complete applications within **10 days**

## Promotion and Performance of the Fund during 2020

Key performance indicators in 2020:

- ✓ **2,202 Applications received**
- ✓ **€27.4M Value of loans approved**
- ✓ **2,972 Net jobs supported in 1,229 micro-enterprises**
- ✓ **56% Approval rate**
- ✓ **€24.8M Value of loans drawn**
- ✓ **1,114 Loans drawn**
- ✓ Average Loan size of **€22K**
- ✓ **71%** approvals granted to businesses employing **3 people or fewer**
- ✓ **19%** of approvals granted to start-ups (in business for less than 18 months)
- ✓ **Wide geographic coverage:** 26% of loans granted to Dublin, 74% to the rest of Ireland

2020 was dominated by the impact of the Coronavirus pandemic.

After very positive performance in January and February, the business was faced with the outbreak of the Coronavirus pandemic in March.

In Mid-March, MFI was the first support to market with a COVID19 loan fund. This loan was a very attractive loan offering which included a higher lending limit of €50,000, 6-month interest and repayment holidays and a reduced interest rate.

The volumes achieved through 2020, and in particular during the March to August period, highlighted the demand for funding that was in the market at the time and the limited availability of other sources of loan finance.

In addition to launching the COVID 19 Loan Fund in March, MFI contacted all its existing performing customers to offer them as much assistance as it could to protect their businesses, with 70% of these being given a 6-month moratorium on repayments.

The initial COVID19 loan fund was fully utilised by midsummer. Following the receipt of additional funding, a new COVID19 fund was launched with a reduced loan limit of €25,000 in late August.

Key metrics for 2020 over 2019

- Loan Applications more than doubled growing by 102%
- Approval rates grew by 172% in number terms and 354% in value terms with loans totalling €27.4M approved to 1,229 businesses. Of these, 1,114 businesses drew down loans totalling €24.8M.
- Most importantly the number of jobs supported through the activities of the business continued to grow with 2,972 jobs supported in the year, many specific to the pandemic.
- 67% of all applications in the year related to borrowing needs arising due to COVID19, with demand for start-up finance reducing significantly during the year.
- MFI's direct channel for Loan Applications continues to grow steadily and continues as the largest channel for applications, representing 63% of all applications in 2020. MFI is also very reliant for referrals from our referral partners, in particular the Local Enterprise Office Network.
- With the benefit of MFI loans, 2,972 additional jobs were supported in the year. Of these 2,567 related to COVID19 Impacted businesses.

2020 was an extraordinary year of growth and challenge for the business but enabled MFI to highlight its true capability and ongoing benefit to the micro enterprise community in Ireland and as a key Government support.

## Promotion and performance of the Fund during Quarter 4 2020

### Key performance indicators for Quarter 4 2020

✓	<b>420</b>	<b>Applications received</b>
✓	<b>€4.2M</b>	<b>Value of loans approved</b>
✓	<b>345</b>	<b>Net jobs supported in 240 micro-enterprises</b>
✓	<b>47%</b>	<b>Approval rate</b>
✓	<b>€3.9M</b>	<b>Value of loans drawn</b>
✓	<b>216</b>	<b>Loans drawn</b>
✓	Average Loan size of <b>€18K</b>	
✓	<b>70%</b> approvals granted to businesses employing <b>3 people or fewer</b>	
✓	<b>28%</b> of approvals granted to start-ups (in business for less than 18 months)	
✓	<b>Wide geographic coverage:</b> 22% of loans granted to Dublin, 78% to the rest of Ireland	

During the quarter, MFI continued to engage in a range of marketing initiatives across all key areas. 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:** A radio campaign ran on local radio stations from 26<sup>th</sup> October to 8<sup>th</sup> November inclusive. From a brand awareness perspective, it was both timely and beneficial to promote the availability of loan finance for COVID19 and in advance of Brexit through MFI.
- **Digital Advertising /Social Media:** Throughout the quarter, MFI continually promoted the availability of finance across all social media channels.
- **Brexit Launch:** Brexit Loan product launched on 23 November.
- **PR:** Good PR received on the launch of the Brexit Product. 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 a wide range of online seminars and events to promote MFI's support message.
- MFI was also one of the sponsors in the **National Start-Up Awards in 2020**. As sponsor, MFI got good coverage on social media for the duration of the awards and participated in the virtual awards ceremony in December.

### Performance:

2020 ended well with the continuation of strong performance across all key metrics in Quarter 4. Quarter 4 is the second strongest quarter, in the history of the business. Only quarter 2, 2020 performed better.

As would be expected, demand was heavily dominated by COVID19 Loan applications but growing demand for MFI's standard product was also an important feature of the quarter's performance. Strong approval and drawdown volumes continued on the back of a positive 47% approval rate.

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

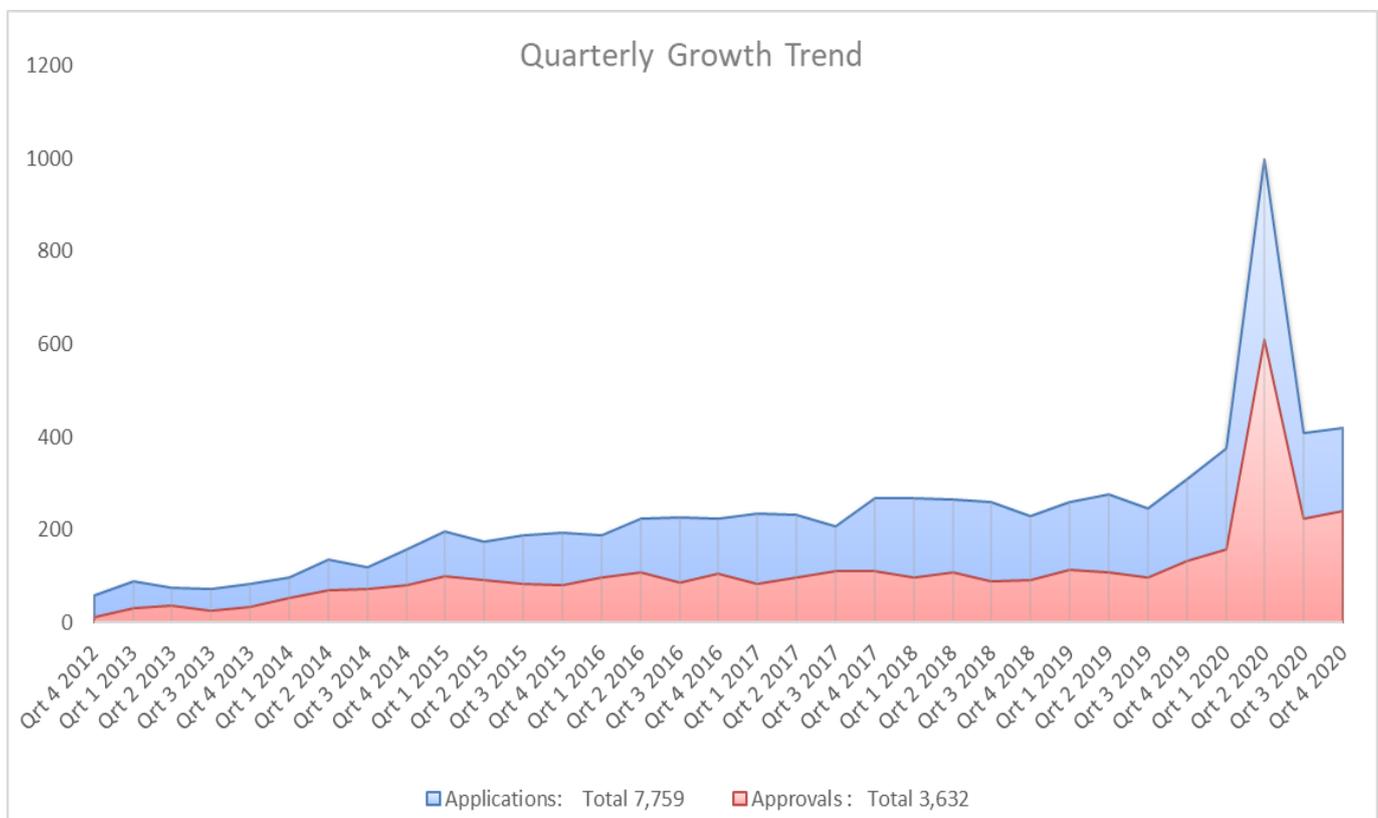
### Applications by Quarter

Total Applications Received												
	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total (1st October 2012 to 31st December 2020)
<b>Total Applications No.</b>	379	508	752	861	941	1024	1092	375	999	408	420	7,759
<b>Total Applications Amt.</b>	€6.739M	€8.451M	€12.317M	€13.567M	€13.906M	€15.237M	€16.674M	€7.183M	€27.974M	€8.964M	€7.673M	€138.685M

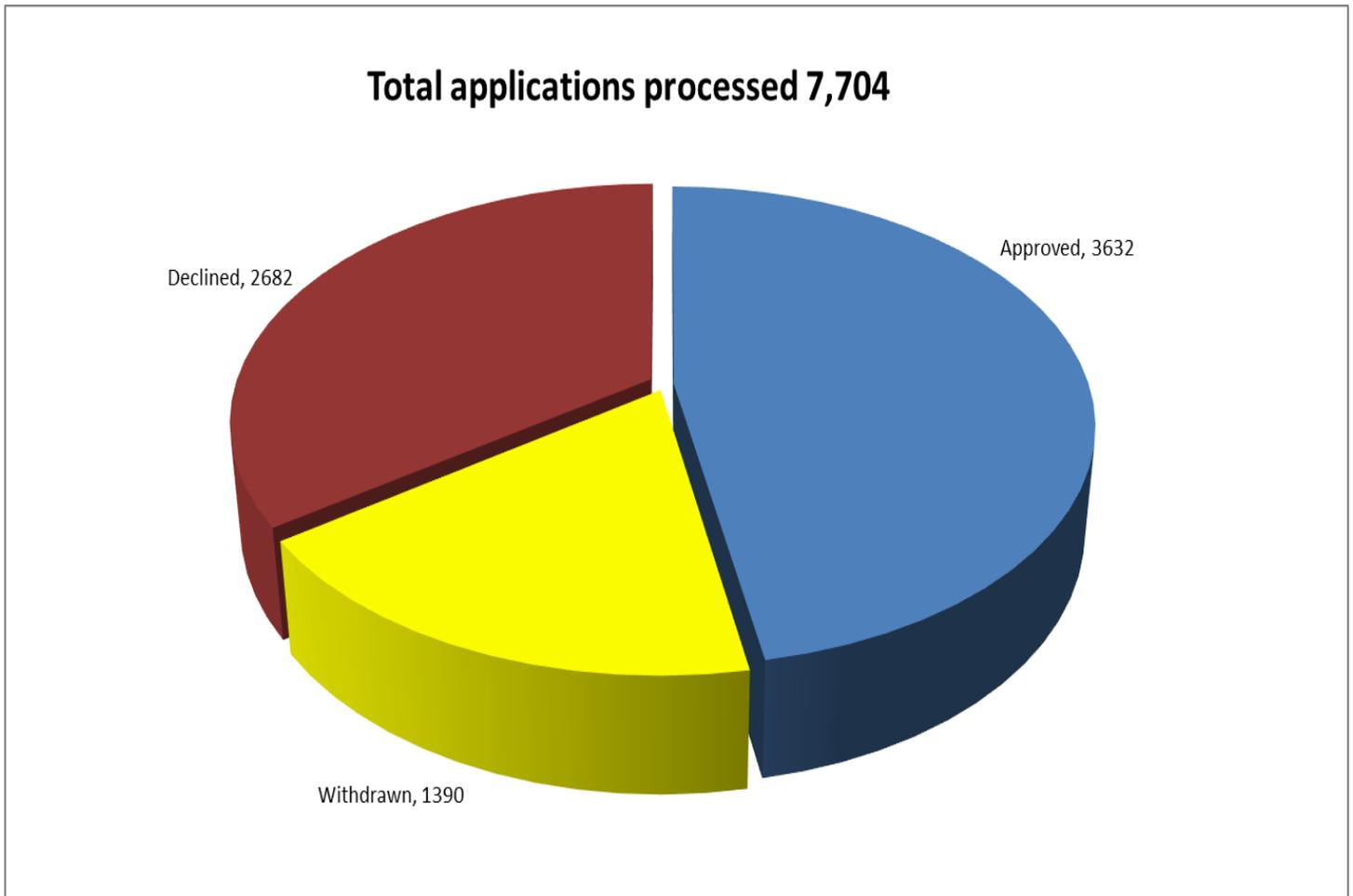
Total Applications Processed												
	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total (1st October 2012 to 31st December 2020)
<b>Applications Processed</b>	348	483	743	902	927	1021	1068	338	888	472	514	7,704
<b>Approved</b>	139	274	357	397	400	384	452	157	609	223	240	3,632
<b>Approval Rate</b>	40%	57%	48%	44%	43%	38%	42%	46%	69%	47%	47%	47%
<b>Approved (€'000)</b>	2,159	4,159	5,378	5,392	5,503	5,361	6,043	2,417	15,655	5,112	4,248	61,427

### 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 31st December 2020)
	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	
1	60	141	187	235	195	183	266	85	230	73	85	1740
2-3	56	86	97	91	134	143	117	53	188	76	84	1125
4-5	16	22	33	45	37	31	35	12	91	38	36	396
6-9	10	25	40	26	34	27	34	7	100	36	35	374
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>157</b>	<b>609</b>	<b>223</b>	<b>240</b>	<b>3,632</b>

## Approvals by Loan Size

From 1st October 2012 to 31st December 2020, loans were granted in the following size range.

Euro	No. of Loans
≤50k	288
≤25k	988
≤20k	405
≤15k	586
≤10k	583
≤5k	782
Total	3,632
Average loan size €16.9K	

## Purpose for which Microfinance Loans were granted

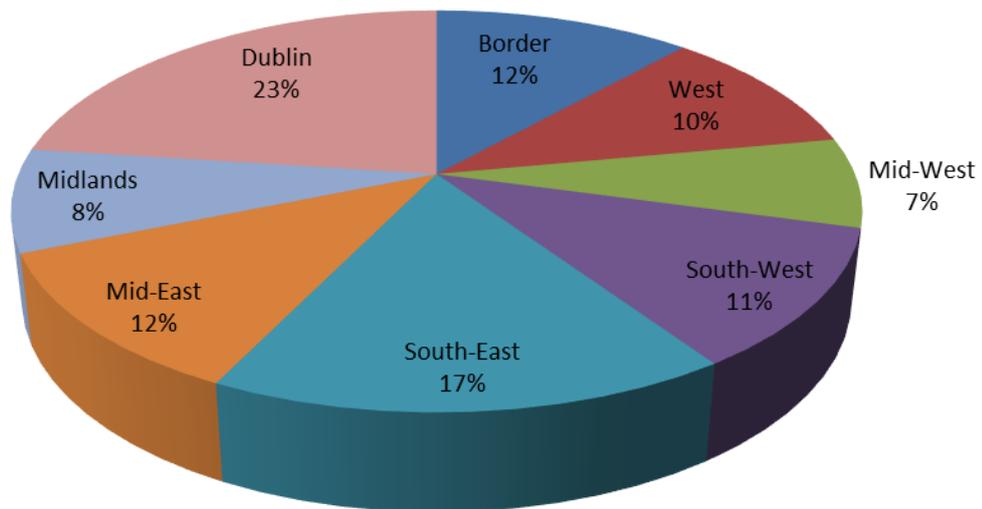
Loans were granted for the following purposes:

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

**Geographical Analysis of Approval – from 1st October 2012 to 31st December 2020**

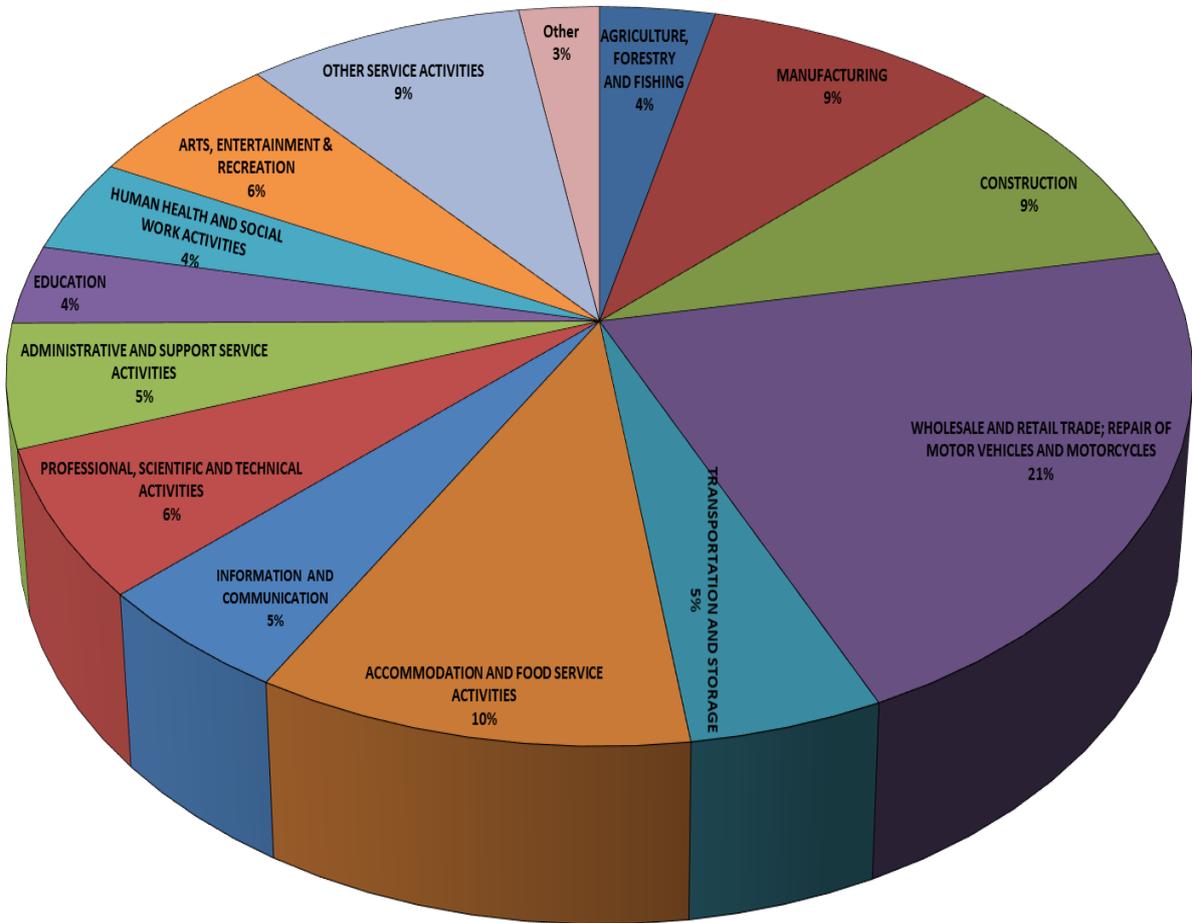
Geographical Spread							
County	Received	Approved	Approved Amount €000	County	Received	Approved	Approved Amount €000
Dublin	1887	833	15,408	Donegal	212	100	1,751
Cork	625	295	4,723	Westmeath	203	98	1,667
Meath	391	151	2,368	Mayo	189	108	1,748
Galway	386	195	3,135	Cavan	184	84	1,034
Wexford	319	187	3,227	Laois	162	72	1,049
Kildare	313	146	2,693	Offaly	150	76	1,272
Limerick	308	150	2,686	Roscommon	148	73	1,039
Tipperary	301	149	2,299	Kilkenny	135	67	1,309
Waterford	296	145	2,252	Sligo	128	68	1,029
Wicklow	283	122	1,943	Longford	127	55	899
Kerry	243	113	2,108	Carlow	119	60	1,043
Louth	222	75	1,374	Monaghan	108	46	752
Clare	220	112	1,818	Leitrim	100	52	801
Total Applications Received:				7,759			
Total Applications Approved:				3,632			
Total Applications Approval Amount:				€61,427M			

**Approved Loans By Regions**



Approval by Business Sector

Loans by Sector



## Demographical Analysis

### Borrower's legal status

- 1,495 Microfinance loans were granted to Private Limited Companies
- 1,941 Sole Traders were granted a microfinance loan
- 196 Microfinance loans were granted to Partnerships

### Start-Up/Existing

Of the 3,632 loans approved, 1,543 were start-up enterprises (<18 months) and 2,089 to existing enterprises.

### Gender Breakdown

Of the total applications received 74% (5,731) were from male promoters and 26% (2,028) from female promoters. Of the loans approved as at 31st December 2020, 73% (2,647) were to male promoters while 27% (985) were to female promoters.

### Youths

There were 66 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Numbs	Value €
<b>Total Approved</b>	3,632	€61.427M
<b>Start-Up (&lt;18 months)</b>	1,543	
<b>Existing</b>	2,089	
<b>No. of Ltd. Co.</b>	1,495	
<b>No. of Sole Traders</b>	1,941	
<b>No. of Partnerships</b>	196	
<b>Female</b>	985	
<b>Male</b>	2,647	
<b>Youth (18-25 years old)</b>	66	

## **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 405 appeals from inception to 31st December 2020 and 80 of these cases have been approved on appeal (20%). These figures are included in the overall approval figures.

## **Complaints**

3 complaints were received by the business in quarter 4, 2020.  
The number of complaints received by the business since 2012 total 49.

## **Business Failures**

Up to end December 2020, 395 businesses of the 3,199 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, 3,007 of our loan applications were received from the LEOs accounting for 39% of all applications. Of these applications received from the LEOs, 2,992 were fully processed by the 31st December 2020 resulting in 1,674 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 4,752 applications via these channels which equates to 61% of all applications. Of these applications, 4,712 were fully processed by the 31st December 2020 resulting in 1,958 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, 339 applications have been received as a result of 1,347 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, 299 applications have been submitted since inception of the fund to December 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.

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