

## Microfinance Ireland

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

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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.

## Fund Performance Summary: 1st October 2012 to 30th June 2019

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

- ✓ **5,000 Applications received**
- ✓ **€31.0M Value of loans approved**
- ✓ **5,210 Net jobs supported in 2,174 micro-enterprises**
- ✓ **44% Approval rate**
- ✓ **€26.7M Value of loans drawn**
- ✓ **1,894 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 (21%) | MANUFACTURING (11%)                          |
| 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:

- ✓ **4,923 Applications processed to full assessment**
- ✓ **77 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

## Promotion and Performance of the Fund during Quarter 2 2019

### Promotion:

A range of marketing and PR activities continued during Q2 2019 to maintain strong brand awareness including:

- Continuation of digital marketing campaigns across social media platforms.
- Expressions of interest remained strong throughout the quarter with a record 986 potential applicants registering their interest in applying through the MFI website
- 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 Bizexpo, Start Summit and a number of LEO events.
- MFI was delighted to host Minister Pat Breen Minister along with some customers to announce our annual results in April and which got good PR coverage online with an interview by the CEO on Newstalk's Breakfast Business with Vincent Wall.

There was also a range of stakeholder interactions during the quarter including:

- Quarterly Review Meeting of MFI /LEO Working Group in April
- Training sessions held in AIB, BOI & Ulster Bank with a total of ~120 Bank staff during April and May with the aim of ensuring a steady flow of referrals. There has been a marked improvement in Bank referrals since the training sessions were held.

### Performance:

Overall the performance of the fund in Quarter 2 2019 was very positive. The number of Loan Applications numbered 276 which was a record high and the Approval rate at 42%, while marginally lower than the long-term trend of 44%, was well up on the 38% level reported in 2018. Jobs created or supported totalled 182.

### Key performance indicators for Quarter 2 2019:

- |   |   |  |
|---|---|--|
| ✓ | <b>276</b>  | <b>Applications received</b>                       |
| ✓ | <b>€1.4M</b>  | <b>Value of loans approved</b>                     |
| ✓ | <b>182</b>  | <b>Net jobs supported in 109 micro-enterprises</b> |
| ✓ | <b>42%</b>  | <b>Approval rate</b>                               |
| ✓ | <b>€1.3M</b>  | <b>Value of loans drawn</b>                        |
| ✓ | <b>88</b>   | <b>Loans drawn</b>                                 |
| ✓ | Average Loan size of <b>€13K</b>  |  |
| ✓ | <b>81%</b> approvals granted to businesses employing <b>3 people or fewer</b>               |  |
| ✓ | <b>52%</b> of approvals granted to start-ups (in business for less than 18 months)          |  |
| ✓ | <b>Wide geographic coverage:</b> 19% of loans granted to Dublin, 81% to the rest of Ireland |  |

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

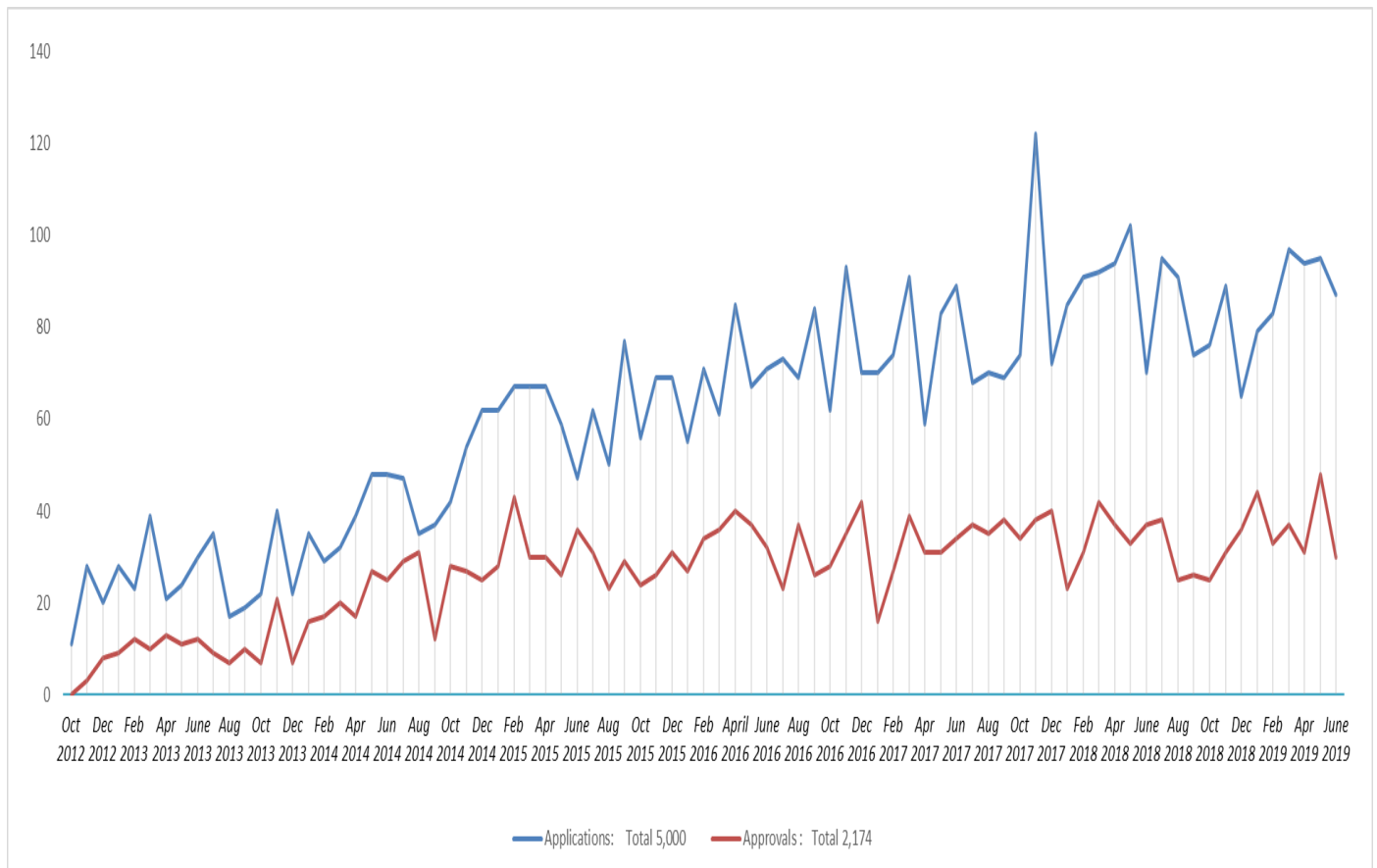
### Applications by Quarter

| Total Applications Received |      |         |      |        |      |          |      |          |      |          |       |          |         |         |         |         |   |          |
|-----------------------------|------|---------|------|--------|------|----------|------|----------|------|----------|-------|----------|---------|---------|---------|---------|---|----------|
|                             | 2013 |         | 2014 |        | 2015 |          | 2016 |          | 2017 |          | 2018  |          | Q1 2019 |         | Q2 2019 |         | Total<br>(1st October 2012 to 30th June 2019) |          |
| Total Applications          | 379  | €6.739M | 508  | €8.451 | 752  | €12.317M | 861  | €13.567M | 941  | €13.906M | 1,024 | €11.793M | 259     | €3.921M | 276     | €4.389M | 5,000   | €78.527M |

| Total Applications Processed |       |  |       |  |       |  |       |  |       |  |       |  |         |  |         |  |   |
|------------------------------|-------|--|-------|--|-------|--|-------|--|-------|--|-------|--|---------|--|---------|--|---|
|                              | 2013  |  | 2014  |  | 2015  |  | 2016  |  | 2017  |  | 2018  |  | Q1 2019 |  | Q2 2019 |  | Total<br>(1st October 2012 to 30th June 2019) |
| Applications Processed       | 348   |  | 483   |  | 743   |  | 902   |  | 927   |  | 1021  |  | 240     |  | 259     |  | 4,923   |
| Approved                     | 139   |  | 274   |  | 357   |  | 397   |  | 400   |  | 384   |  | 114     |  | 109     |  | 2,174   |
| Approval Rate                | 40%   |  | 57%   |  | 48%   |  | 44%   |  | 42%   |  | 38%   |  | 47%     |  | 42%     |  | 44%   |
| Approved (€'000)             | 2,159 |  | 4,159 |  | 5,378 |  | 5,392 |  | 5,503 |  | 5,361 |  | 1,623   |  | 1,454   |  | 31,029  |

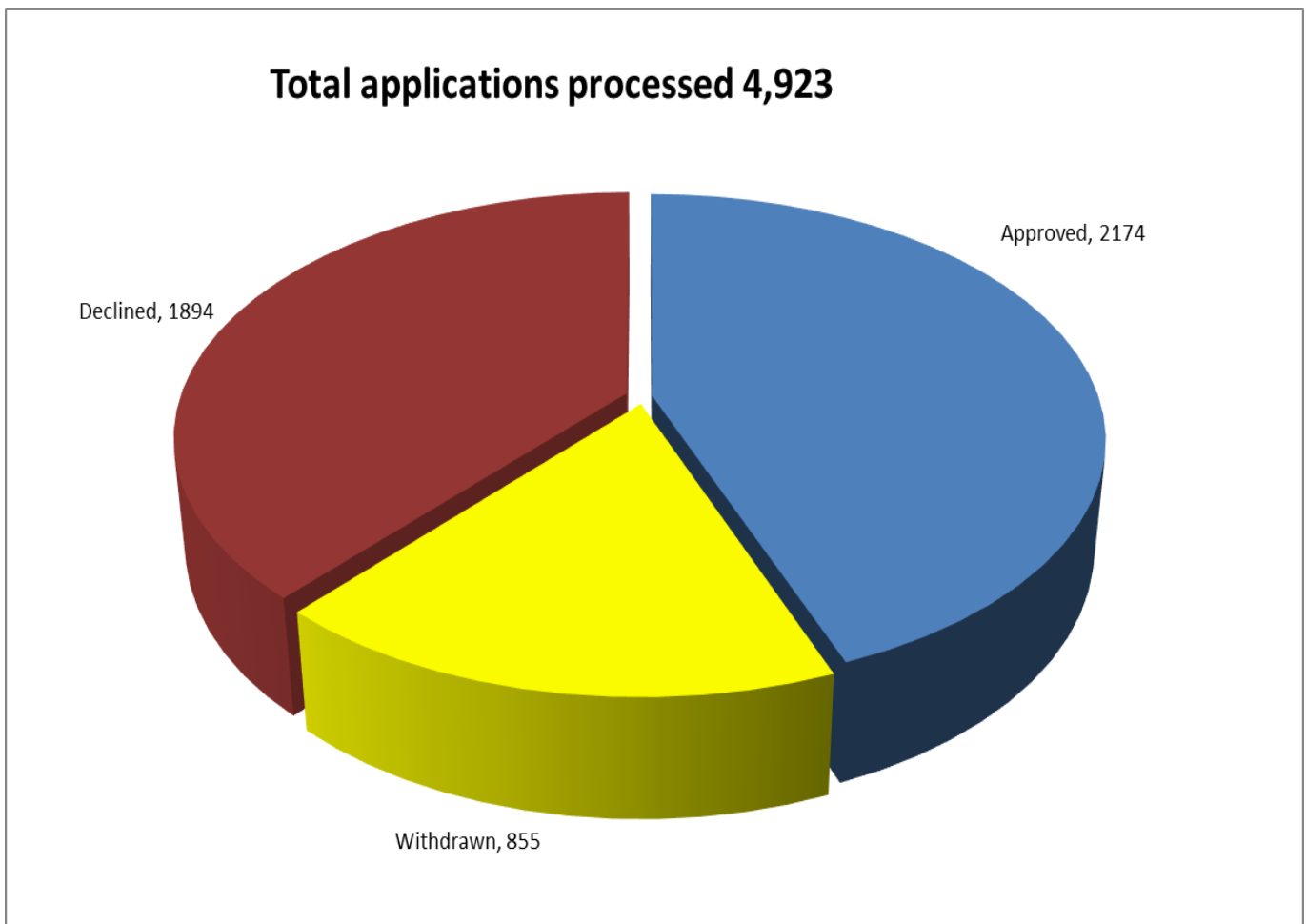
### Monthly Growth Trend

Application and approval activity levels by month 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    | Total<br>(1st October 2012 to 30th<br>June 2019) |
| 1                         | 60              | 141        | 187        | 235        | 195        | 183        | 55         | 64         | 1120   |
| 2-3                       | 56              | 86         | 97         | 91         | 134        | 143        | 35         | 25         | 667  |
| 4-5                       | 16              | 22         | 33         | 45         | 37         | 31         | 12         | 10         | 206  |
| 6-9                       | 10              | 25         | 40         | 26         | 34         | 27         | 12         | 10         | 184  |
| 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>114</b> | <b>109</b> | <b>2,174</b>                                     |

## Approvals by Loan Size

From 1<sup>st</sup> October 2012 to 30th June 2019, loans were granted in the following size range.

| Euro                            | No. of Loans |
|---------------------------------|--------------|
| ≤25k                            | 630          |
| ≤20k                            | 242          |
| ≤15k                            | 372          |
| ≤10k                            | 380          |
| ≤5k                             | 550          |
| <b>Total</b>                    | <b>2,174</b> |
| <b>Average loan size €14.3K</b> |              |

## Purpose for which Microfinance Loans were granted

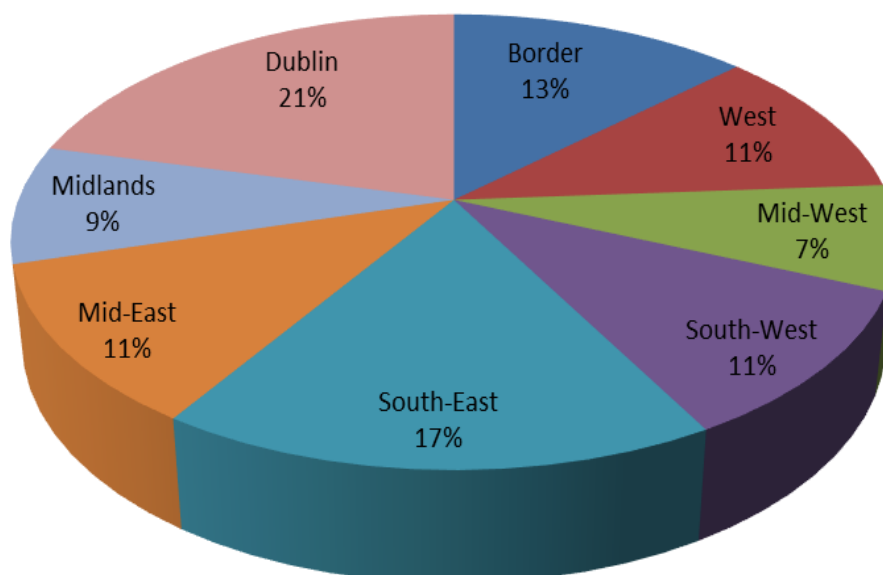
Loans were granted for the following purposes:

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

**Geographical Analysis of Approval – from 1<sup>st</sup> October 2012 to 30th June 2019**

| Geographical Spread  |          |          |           |          |          |
|--|----------|----------|-----------|----------|----------|
| County   | Received | Approved | County    | Received | Approved |
| Dublin   | 1144     | 458      | Louth     | 137      | 46       |
| Cork   | 400      | 173      | Westmeath | 131      | 56       |
| Meath  | 261      | 95       | Mayo      | 129      | 71       |
| Galway   | 253      | 119      | Donegal   | 126      | 55       |
| Tipperary  | 220      | 102      | Laois     | 111      | 45       |
| Limerick   | 219      | 93       | Sligo     | 100      | 58       |
| Waterford  | 206      | 92       | Offaly    | 97       | 42       |
| Wexford  | 199      | 113      | Longford  | 96       | 40       |
| Kildare  | 187      | 83       | Roscommon | 95       | 46       |
| Wicklow  | 169      | 69       | Carlow    | 77       | 35       |
| Cavan  | 144      | 60       | Monaghan  | 75       | 28       |
| Clare  | 142      | 68       | Kilkenny  | 73       | 32       |
| Kerry  | 141      | 58       | Leitrim   | 68       | 37       |
| <b>Total Applications Received: 5,000</b><br><b>Total Applications Approved: 2,174</b> |          |          |           |          |          |

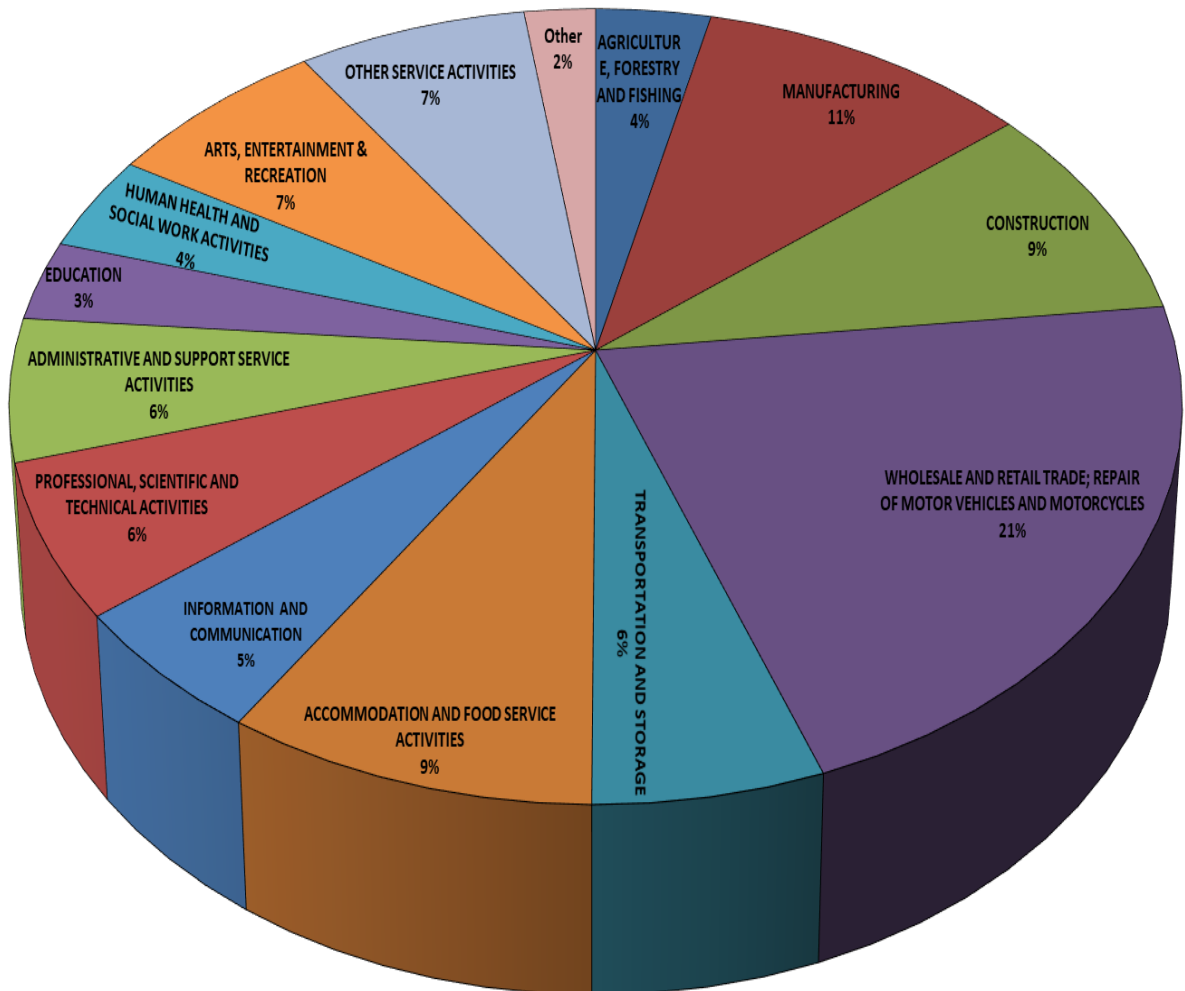
**Approved Loans By Regions**





**Approval by Business Sector**

**Loans by Sector**



## Demographical Analysis

### Borrower's legal status

- 795 Microfinance loans were granted to Private Limited Companies
- 1,232 Sole Traders were granted a microfinance loan
- 147 Microfinance loans were granted to Partnerships

### Start-Up/Existing

Of the 2,174 loans approved, 1,202 were start-up enterprises (<18 months) and 972 to existing enterprises.

### Gender Breakdown

Of the total applications received 75% (3,734) were from male promoters and 25% (1,266) from female promoters. Of the loans approved as at 30th June 2019, 74% (1,599) were to male promoters while 26% (575) were to female promoters.

### Youths

There were 50 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

| Approved Applications           | Numbers | Value € |
|---------------------------------|---------|---------|
| <b>Total Approved</b>           | 2,174   | 31.029M |
| <b>Start-Up (&lt;18 months)</b> | 1,202   |         |
| <b>Existing</b>                 | 972     |         |
| <b>No. of Ltd. Co.</b>          | 795     |         |
| <b>No. of Sole Traders</b>      | 1,232   |         |
| <b>No. of Partnerships</b>      | 147     |         |
| <b>Female</b>                   | 575     |         |
| <b>Male</b>                     | 1,599   |         |
| <b>Youth (18-25 years old)</b>  | 50      |         |

## **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 256 appeals from inception to 30th June 2019 and 43 of these cases have been approved on appeal (17%). These figures are included in the overall approval figures.

## **Complaints**

Two complaints were received by the business in quarter 2, 2019.  
The number of complaints received by the business since 2012 total 41.

## **Business Failures**

Up to end June 2019, 308 businesses of the 2,174 loans approved and 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, 2,092 of our loan applications were received from the LEOs accounting for 42% of all applications. Of these applications received from the LEOs, 2,074 were fully processed by the 30th June 2019 resulting in 1,069 being approved giving an approval rate of 52%. 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 2,908 applications via these channels which equates to 58% of all applications. Of these applications, 2,849 were fully processed by the 30th June 2019 resulting in 1,105 being approved giving an approval rate of 39%. 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, 227 applications have been received as a result of 1,015 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, 276 applications have been submitted since inception of the fund to June 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.