

Microfinance Ireland

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

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

As at end March 2020, Microfinance Ireland has been in business for over 7 years. In this time, it has delivered the following key results:

- ✓ **6,931 Applications received**
- ✓ **€52.1M Value of loans approved**
- ✓ **8,023 Net jobs supported in 3,169 micro-enterprises**
- ✓ **47% Approval rate**
- ✓ **€43.6M Value of loans drawn**
- ✓ **2,744 Loans drawn**
- ✓ **Average Loan size of €16K**
- ✓ **80% approvals granted to businesses employing 3 people or fewer**
- ✓ **45% 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%)	MANUFACTURING (9%)
CONSTRUCTION (9%)	ACCOMMODATION & FOOD SERVICE ACTIVITIES (9%)
OTHER SERVICES (9%)	ARTS, ENTERTAINMENT AND RECREATION (6%)
ADMINISTRATION & SUPPORT SER. ACTIVITIES (6%)	PROFESSIONAL, SCIENTIFIC & TECH ACTIVITIES (6%)
TRANSPORT/STORAGE (5%)	INFORMATION AND COMMUNICATION (5%)
AGRICULTURE, FORESTRY & FISHING (4%)	HUMAN, HEALTH AND SOCIAL WORK (4%)
EDUCATION (4%)	OTHER (2%)

Assessing applications efficiently:

- ✓ **6,718 Applications processed to full assessment**
- ✓ **213 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and performance of the Fund during Quarter 2 2020

Key performance indicators for Quarter 2 2020

✓	999	Applications received
✓	€15.7M	Value of loans approved
✓	1,813	Net jobs supported in 609 micro-enterprises
✓	69%	Approval rate
✓	€12.8M	Value of loans drawn
✓	523	Loans drawn
✓	Average Loan size of €26K	
✓	69% approvals granted to businesses employing 3 people or fewer	
✓	11% of approvals granted to start-ups (in business for less than 18 months)	
✓	Wide geographic coverage: 28% of loans granted to Dublin, 72% to the rest of Ireland	

Limited Marketing and PR activities were undertaken in Q2 due to both the actual COVID19 pandemic itself and its impact on daily activities but also the significant demand for MFI's COVID19 product, required all "non-essential" activities be suspended with personnel focusing on operational activities. In the quarter:

- MFI continued a range of digital marketing campaigns across social media platforms
- The CEO and the Head of Marketing both presented at a variety of Webinars marketing the MFI COVID19 Loan
- A small number of prearranged PR activities in various business magazines were completed.

The LEO/MFI marketing campaign developed between MFI and LEO Marketing Team, to promote the benefits of utilising the LEOs for MFI applications which was due for launch in April 2020, was postponed due to COVID 19.

Performance:

Performance in the quarter was excellent, due to the success of the MFI COVID19 Loan Fund. The Loan features both an increased lending limit of €50,000 and attractive repayment and pricing structures. These features coupled with limited available funding in the marketplace meant that the demand for borrowing reached new highs and continued to grow through the quarter. At stages in the quarter weekly volumes exceeded previous monthly levels.

During the Quarter, 999 applications were received and with an approval rate of 69% , €15.6m in loans were approved to 609 businesses. Through this lending 1,813 jobs were supported in the quarter.

In addition to the new COVID19 loan fund, the business engaged with all its existing customers and by early in Quarter 2 in excess of 70% of our legacy customers had sought and received forbearance on their loans.

Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

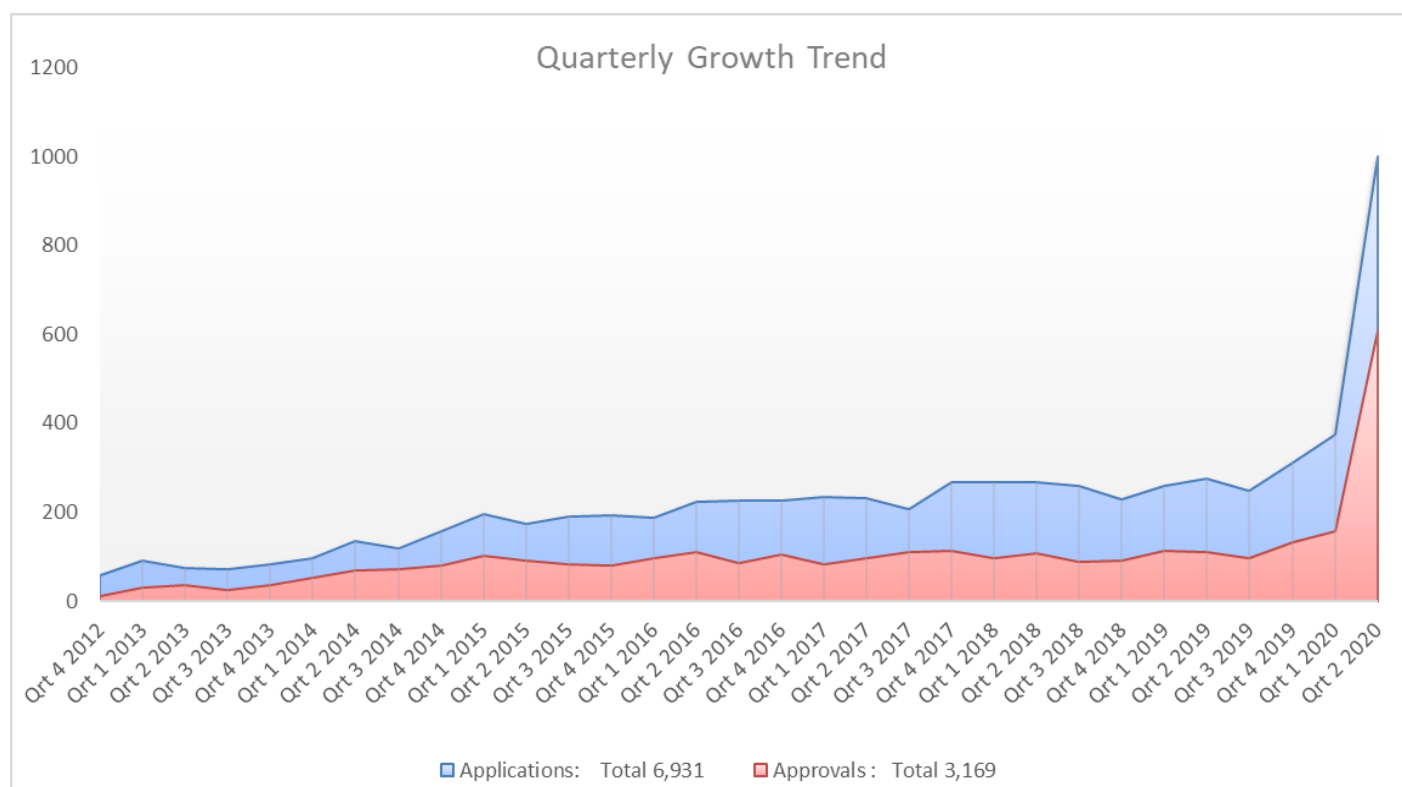
Applications by Quarter

Total Applications Received										
	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Q2 2020	Total (1st October 2012 to 30th June 2020)
Total Applications No.	379	508	752	861	941	1024	1092	375	999	6,931
Total Applications Amt.	€6.739M	€8.451M	€12.317M	€13.567M	€13.906M	€15.237M	€16.674M	€7.183M	€27.974M	€122.048M

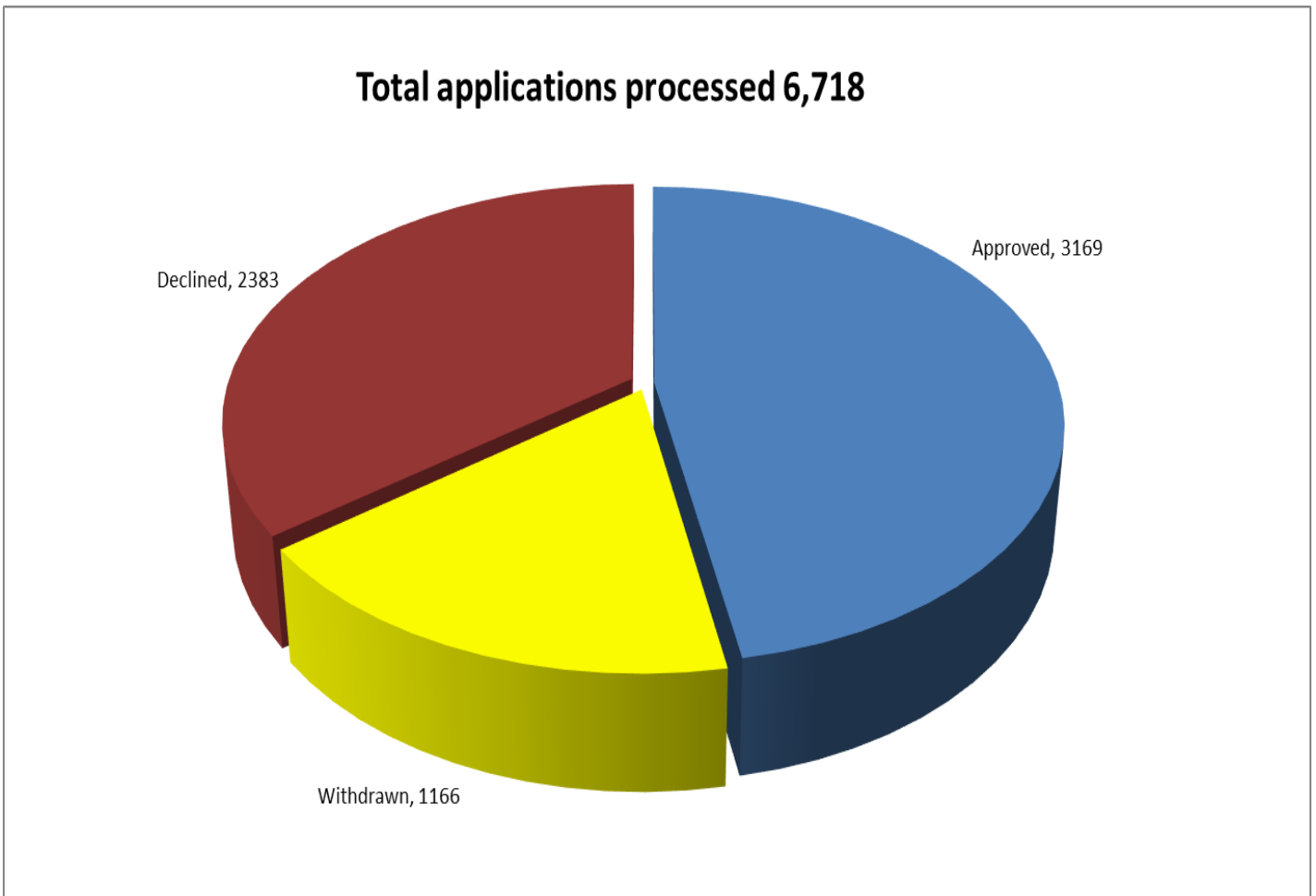
Total Applications Processed										
	2013	2014	2015	2016	2017	2018	2019	Q1 2020	Q2 2020	Total (1st October 2012 to 30th June 2020)
Applications Processed	348	483	743	902	927	1021	1068	338	888	6,718
Approved	139	274	357	397	400	384	452	157	609	3,169
Approval Rate	40%	57%	48%	44%	43%	38%	42%	46%	69%	47%
Approved (€'000)	2,159	4,159	5,378	5,392	5,503	5,361	6,043	2,417	15,655	52,067

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	2019	Q1 2020	Q2 2020	Total (1st October 2012 to 30th June 2020)
1	60	141	187	235	195	183	266	85	230	1582
2-3	56	86	97	91	134	143	117	53	188	965
4-5	16	22	33	45	37	31	35	12	91	322
6-9	10	25	40	26	34	27	34	7	100	303
10										0
Prior period adj	-3	0								-3
Total No. of Loans	139	274	357	397	400	384	452	157	609	3,169

Approvals by Loan Size

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

Euro	No. of Loans
≤50k	236
≤25k	807
≤20k	351
≤15k	522
≤10k	529
≤5k	724
Total	3,169
Average loan size €16.4K	

Purpose for which Microfinance Loans were granted

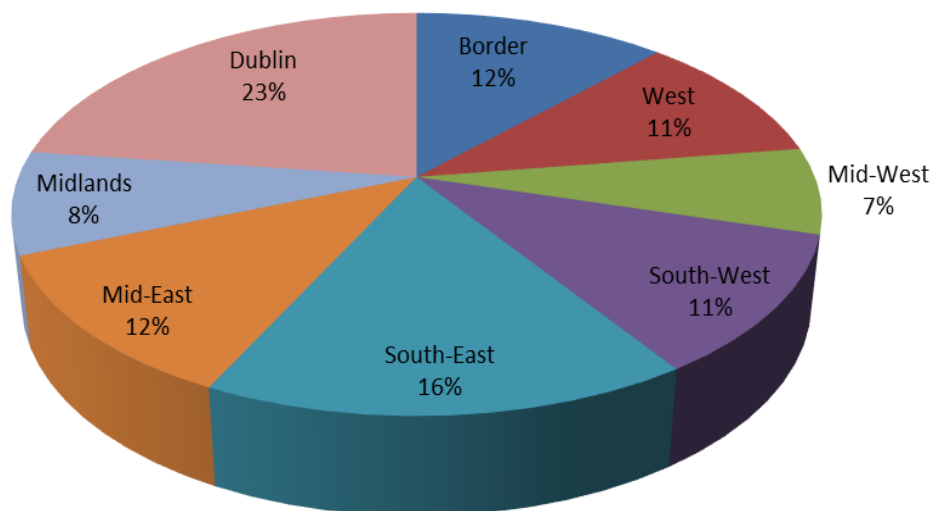
Loans were granted for the following purposes:

- 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 June 2020

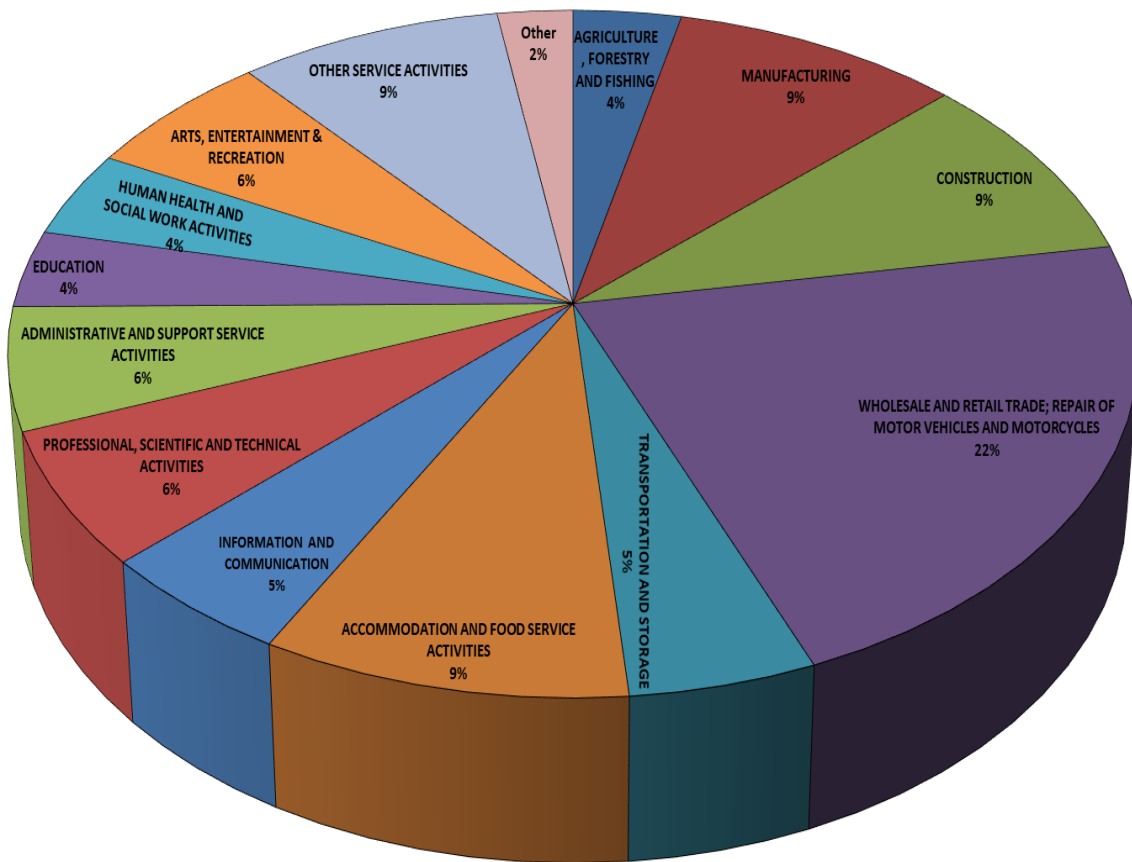
Geographical Spread							
County	Received	Approved	Approved Amount €000	County	Received	Approved	Approved Amount €000
Dublin	1678	726	12,967	Donegal	179	84	1,377
Cork	565	262	4,184	Mayo	174	97	1,565
Galway	356	176	2,800	Westmeath	174	81	1,282
Meath	344	134	2,040	Cavan	170	75	894
Wexford	291	162	2,665	Laois	152	68	979
Kildare	284	131	2,416	Offaly	133	64	1,043
Limerick	276	127	2,210	Roscommon	127	62	871
Tipperary	270	127	1,869	Sligo	119	65	993
Waterford	269	132	1,966	Longford	114	48	769
Wicklow	252	105	1,683	Kilkenny	113	48	859
Kerry	211	92	1,639	Carlow	108	53	876
Louth	195	70	1,259	Monaghan	99	41	667
Clare	192	92	1,505	Leitrim	86	47	689
Total Applications Received:				6,931			
Total Applications Approved:				3,169			
Total Applications Approval Amount:				€52,067M			

Approved Loans By Regions



Approval by Business Sector

Loans by Sector



Demographical Analysis

Borrower's legal status

- 1,264 Microfinance loans were granted to Private Limited Companies
- 1,720 Sole Traders were granted a microfinance loan
- 185 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 3,169 loans approved, 1,430 were start-up enterprises (<18 months) and 1,739 to existing enterprises.

Gender Breakdown

Of the total applications received 74% (5,120) were from male promoters and 26% (1,811) from female promoters. Of the loans approved as at 30th June 2020, 73% (2,311) were to male promoters while 27% (858) were to female promoters.

Youths

There were 60 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Numbers	Value €
Total Approved	3,169	52.067M
Start-Up (<18 months)	1,430	
Existing	1,739	
No. of Ltd. Co.	1,264	
No. of Sole Traders	1,720	
No. of Partnerships	185	
Female	858	
Male	2,311	
Youth (18-25 years old)	60	

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 338 appeals from inception to 30th June 2020 and 66 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 2, 2020.
The number of complaints received by the business since 2012 total 46.

Business Failures

Up to end June 2020, 368 businesses of the 2,744 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, 2,702 of our loan applications were received from the LEOs accounting for 39% of all applications. Of these applications received from the LEOs, 2,631 were fully processed by the 30th June 2020 resulting in 1,451 being approved giving an approval rate of 55%. 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 4,229 applications via these channels which equates to 61% of all applications. Of these applications, 4,087 were fully processed by the 30th June 2020 resulting in 1,718 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, 335 applications have been received as a result of 1,297 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, 297 applications have been submitted since inception of the fund to June 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, 18 referrals were made resulting in 6 applications received.