

Microfinance Ireland

Report on The Microenterprise Loan Fund Scheme as at 31st March 2021



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 Enterprise, Trade and Employment 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, both startups and existing businesses with viable businesses, who cannot obtain funding through traditional sources. (Microenterprises are defined as businesses with less than 10 employees and /or Turnover <€2m)

Fund Performance Summary: 1st October 2012 to 31st March 2021

As at end March 2021, Microfinance Ireland has been in business for over 8 years. In this time, it has delivered the following key results:

- ✓ **8,123** Applications received
- ✓ **€63.8M** Value of loans approved
- ✓ **9,233** Net jobs supported in **3,789** micro-enterprises
- ✓ **47%** Approval rate
- ✓ **€56.5M** Value of loans drawn
- ✓ **3,363** 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 (21%)	ACCOMMODATION & FOOD SERVICE ACTIVITIES (11%)
CONSTRUCTION (9%)	MANUFACTURING (9%)
OTHER SERVICES (9%)	PROFESSIONAL, SCIENTIFIC & TECH ACTIVITIES (7%)
ARTS, ENTERTAINMENT AND RECREATION (6%)	ADMINISTRATION & SUPPORT SER. ACTIVITIES (5%)
TRANSPORT/STORAGE (5%)	INFORMATION AND COMMUNICATION (5%)
AGRICULTURE, FORESTRY & FISHING (4%)	HUMAN, HEALTH AND SOCIAL WORK (4%)
EDUCATION (3%)	OTHER (2%)

Assessing applications efficiently:

- ✓ **8,055** Applications processed to full assessment
- ✓ **68** Applications in progress at reporting date
- ✓ Endeavour to process complete applications within **10 days**

Promotion and performance of the Fund during Quarter 1 2021

Key performance indicators for Quarter 1 2021

✓	364	Applications received
✓	€2.4M	Value of loans approved
✓	231	Net jobs supported in 157 micro-enterprises
✓	45%	Approval rate
✓	€2.6M	Value of loans drawn
✓	164	Loans drawn
✓	Average Loan size of €15K	
✓	86% approvals granted to businesses employing 3 people or fewer	
✓	36% of approvals granted to start-ups (in business for less than 18 months)	
✓	Wide geographic coverage: 13% of loans granted to Dublin, 87% to the rest of Ireland	

During the quarter, MFI continued to engage in a range of Marketing and PR initiatives. 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 was undertaken for 10 days from 8th March. Primarily a local radio campaign, an element of national radio was also included in this campaign. While the country is still in lockdown, MFI believed it was important to maintain awareness of our range of loan supports to businesses across the country in need of finance and that it was both timely and beneficial to promote the availability of our Funds, in particular our COVID19 and Brexit support loans.

PR: During the quarter a number of sponsored content and editorial were published in a variety of business publications. A Press Release also issued to announce our strong 2020 performance coupled with InBusiness Recognition Award: Financial Provider to Start Ups and Micro-enterprises in 2020. This press release led to two Radio Interviews.

Digital Advertising /Social Media: Leveraged the InBusiness Recognition award a number of social media campaigns were undertaken.

Online Events/Webinars/Sponsorships: MFI team continue to participate/present at a growing number of online seminars and events as required.

Performance:

Performance in Quarter 1 was surprisingly strong during a period of economic uncertainty, ongoing lockdown and a lack of clarity as to when the economy will reopen.

In particular, demand for our standard products was excellent. This is very positive for the economy, as it highlights the desire from businesses to either start up or expand. The COVID19 product also experienced surprisingly good demand during a period of prolonged lockdown. This demand should grow as the economy reopens and businesses need funds to commence trading. Demand for the Brexit support loan has been muted, but as businesses begin to trade, demand may increase as Supply Chain issues and other temporary working capital needs arise.

Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

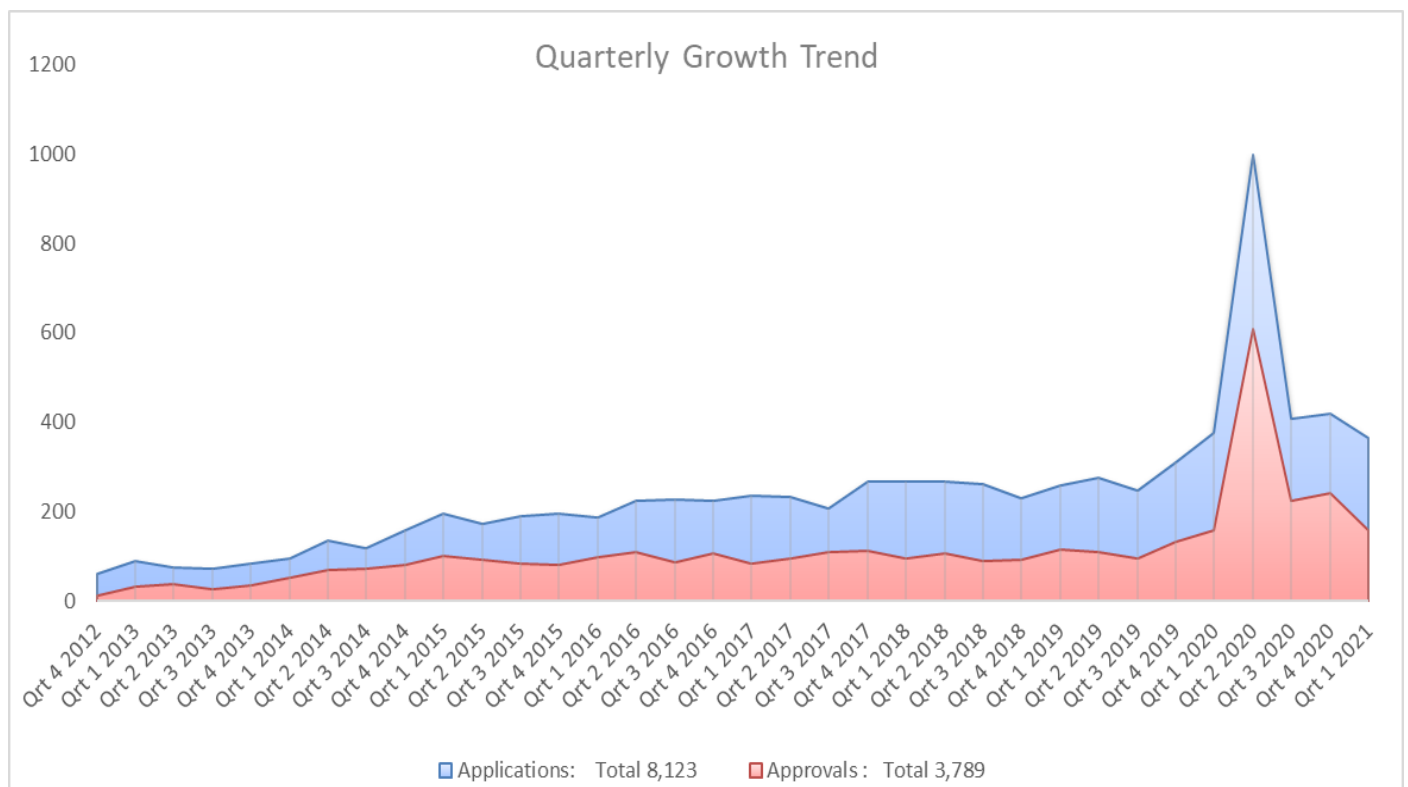
Applications by Quarter

Total Applications Received										
	2013	2014	2015	2016	2017	2018	2019	2020	Q1 2021	Total (1st October 2012 to 31st March 2021)
Total Applications No.	379	508	752	861	941	1024	1092	2202	364	8,123
Total Applications Amt.	€6.739M	€8.451M	€12.317M	€13.567M	€13.906M	€15.237M	€16.674M	€51.794M	€6.263M	€144.948M

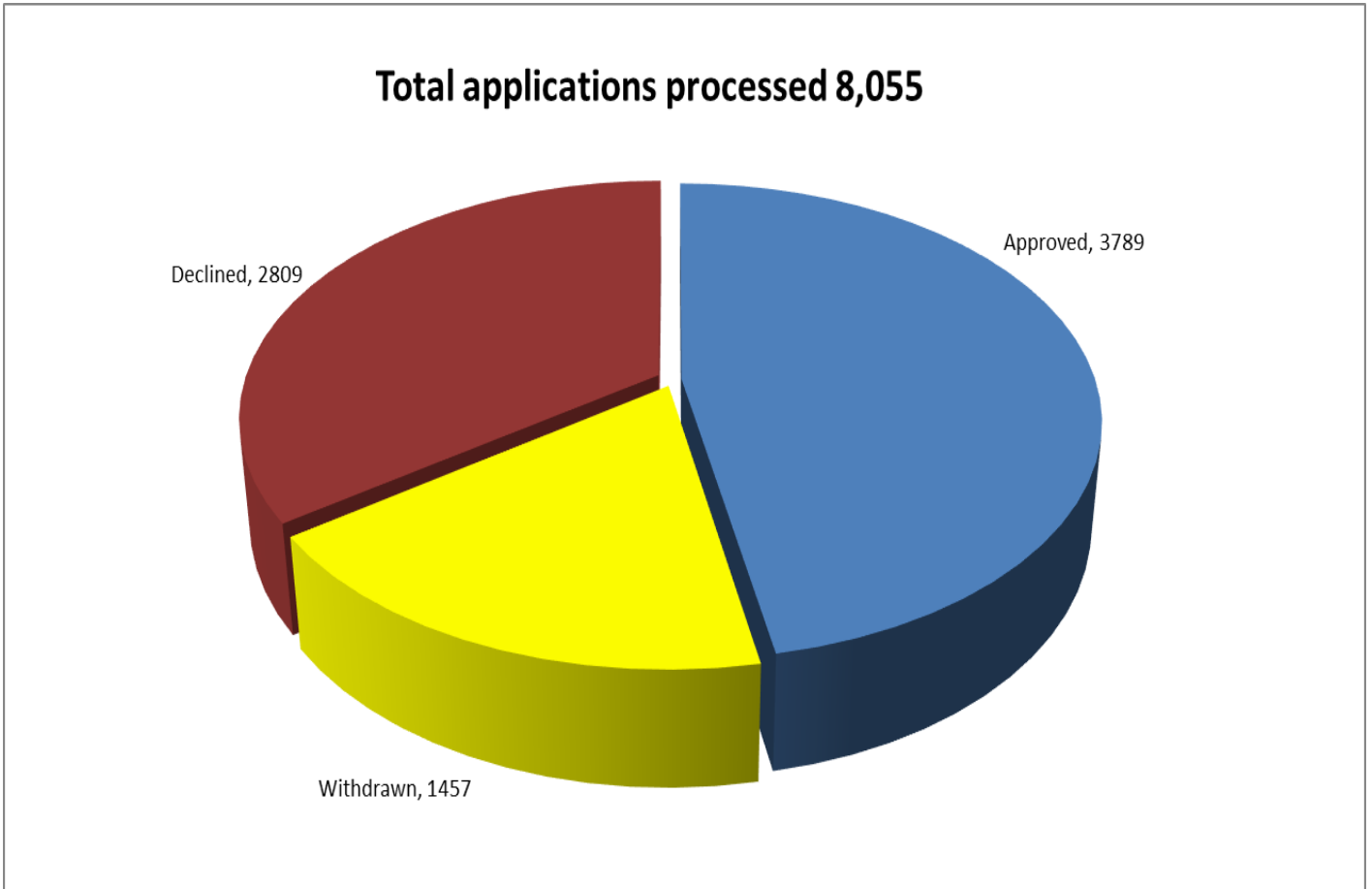
Total Applications Processed										
	2013	2014	2015	2016	2017	2018	2019	2020	Q1 2021	Total (1st October 2012 to 31st March 2021)
Applications Processed	348	483	743	902	927	1021	1068	2212	351	8,055
Approved	139	274	357	397	400	384	452	1229	157	3,789
Approval Rate	40%	57%	48%	44%	43%	38%	42%	56%	45%	47%
Approved (€'000)	2,159	4,159	5,378	5,392	5,503	5,361	6,043	27,432	2,409	63,836

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	2020	Q1 2021	Total (1st October 2012 to 31st March 2021)
1	60	141	187	235	195	183	266	473	85	1825
2-3	56	86	97	91	134	143	117	401	50	1175
4-5	16	22	33	45	37	31	35	177	16	412
6-9	10	25	40	26	34	27	34	178	6	380
10										0
Prior period adj	-3	0								-3
Total No. of Loans	139	274	357	397	400	384	452	1229	157	3,789

Approvals by Loan Size

From 1st October 2012 to 31st March 2021, loans were granted in the following size range.

Euro	No. of Loans
≤50k	288
≤25k	1038
≤20k	426
≤15k	615
≤10k	614
≤5k	808
Total	3,789
Average loan size €16.8K	

Purpose for which Microfinance Loans were granted

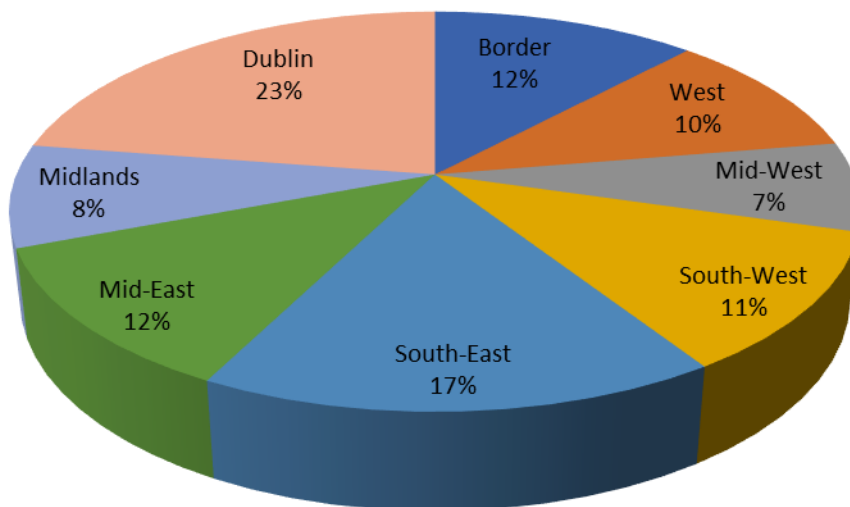
Loans were granted for the following purposes:

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

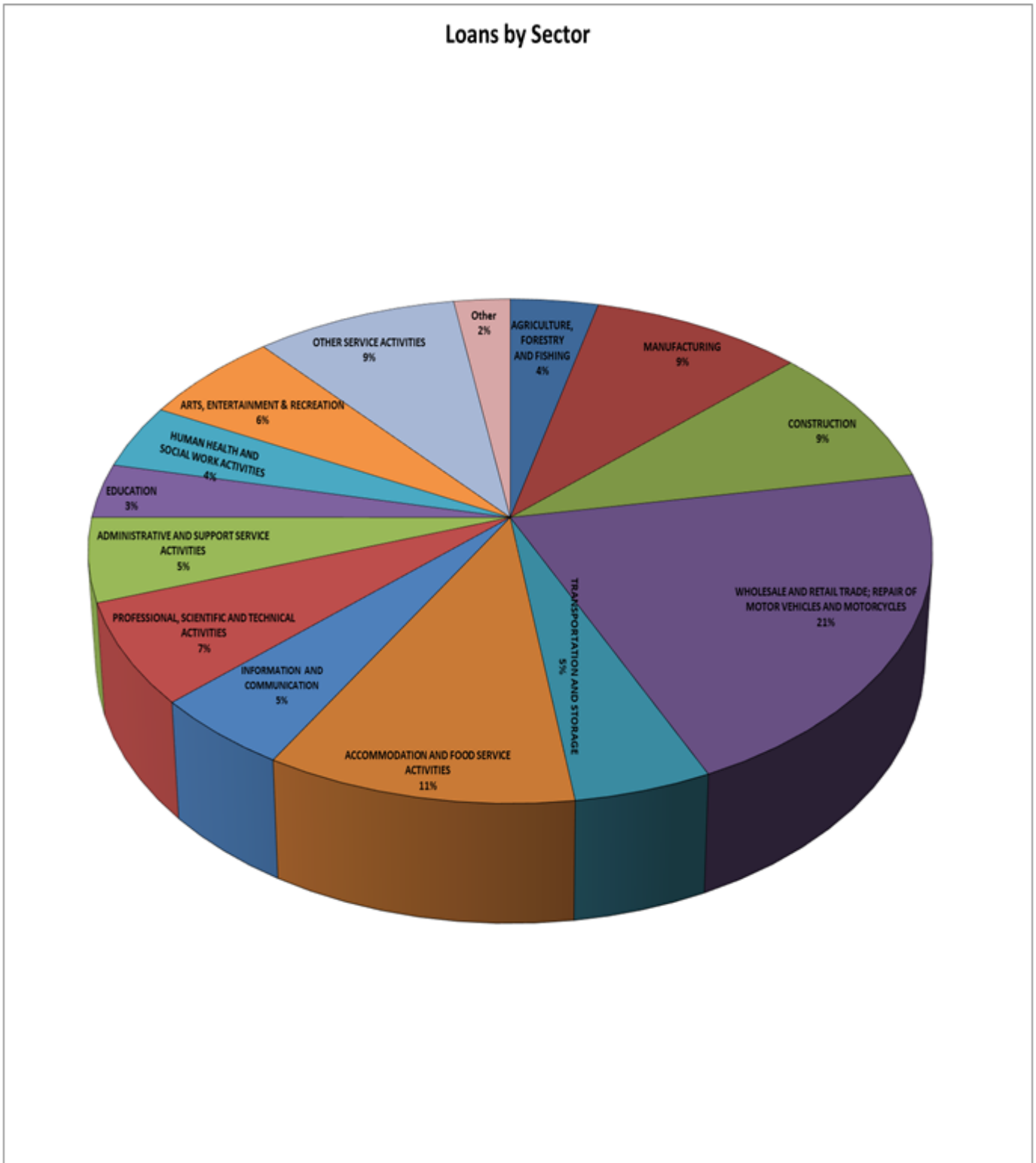
Geographical Analysis of Approval – from 1st October 2012 to 31st March 2021

Geographical Spread							
County	Received	Approved	Approved Amount €000	County	Received	Approved	Approved Amount €000
Dublin	1964	854	15,784	Donegal	223	109	1,882
Cork	658	311	4,959	Westmeath	212	101	1,729
Meath	416	161	2,510	Mayo	195	112	1,797
Galway	411	203	3,274	Cavan	189	88	1,119
Wexford	330	192	3,314	Laois	169	78	1,136
Kildare	325	152	2,766	Roscommon	159	77	1,115
Limerick	324	160	2,837	Offaly	154	78	1,315
Tipperary	312	152	2,339	Kilkenny	143	73	1,406
Waterford	309	149	2,340	Longford	135	57	912
Wicklow	295	129	2,044	Sligo	134	71	1,055
Kerry	258	117	2,163	Carlow	127	65	1,102
Louth	234	82	1,471	Monaghan	115	50	816
Clare	228	113	1,828	Leitrim	104	55	823
Total Applications Received:			8,123				
Total Applications Approved:			3,789				
Total Applications Approval Amount:			€63.836M				

Approved Loans By Regions



Approval by Business Sector



Demographical Analysis

Borrower's legal status

- 1,545 Microfinance loans were granted to Private Limited Companies
- 2,040 Sole Traders were granted a microfinance loan
- 204 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 3,789 loans approved, 1,600 were start-up enterprises (<18 months) and 2,189 to existing enterprises.

Gender Breakdown

Of the total applications received 74% (6,001) were from male promoters and 26% (2,122) from female promoters. Of the loans approved as at 31st March 2021, 73% (2,764) were to male promoters while 27% (1,025) were to female promoters.

Youths

There were 68 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Volume	Value
Total Approved	3,789	63.836M
Start up (18 months)	1,600	
Existing	2,189	
No. of Ltd Co	1,545	
No. of Sole Traders	2,040	
No of Partnerships	204	
Females	1,025	
Males	2,764	
Youth (18-25 years old)	68	

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 430 appeals from inception to 31st March 2021 and 86 of these cases have been approved on appeal (20%). These figures are included in the overall approval figures.

Complaints

4 complaints were received by the business in quarter 1, 2021.

The number of complaints received by the business since 2012 total 53.

Business Failures

Up to end March 2021, 408 businesses of the 3,363 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, 3,100 of our loan applications were received from the LEOs accounting for 38% of all applications. Of these applications received from the LEOs, 3,086 were fully processed by the 31st March 2021 resulting in 1,734 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 5,023 applications via these channels which equates to 62% of all applications. Of these applications, 4,969 were fully processed by the 31st March 2021 resulting in 2,055 being approved giving an approval rate of 41%. 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, 342 applications have been received as a result of 1,375 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 March 2021. 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.