

Microfinance Ireland

Report on The Microenterprise Loan Fund Scheme as at 30th September 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 30th September 2021

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

- ✓ **8,706 Applications received**
- ✓ **€68.5M Value of loans approved**
- ✓ **9,678 Net jobs supported in 4,077 micro-enterprises**
- ✓ **47% Approval rate**
- ✓ **€61.2M Value of loans drawn**
- ✓ **3,651 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: 22% of loans granted to Dublin, 78% 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:

- ✓ **8,669 Applications processed to full assessment**
- ✓ **37 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

Promotion and performance of the Fund during Quater 3 2021

Key performance indicators for Quater 3 2021

✓	235	Applications received
✓	€1.8M	Value of loans approved
✓	204	Net jobs supported in 113 micro-enterprises
✓	44%	Approval rate
✓	€2,1M	Value of loans drawn
✓	125	Loans drawn
✓	Average Loan size of €16K	
✓	87% approvals granted to businesses employing 3 people or fewer	
✓	47% of approvals granted to start-ups (in business for less than 18 months)	
✓	Wide geographic coverage: 19% of loans granted to Dublin, 81% 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:

We followed up our March and June radio campaigns with a further campaign in October. The focus of the campaign was on recovery following the wider reopening of the economy.

PR: We increased our PR activity in Q3 with the launch of our Green SPSV product and articles in a number of publications. We also presented on access to finance at a number of Chambers.

Digital Advertising /Social Media: An additional Google Ads campaign was launched in April to target a larger audience and runs indefinitely.

Online Events/Webinars/Sponsorships: Sponsorship of the National Women's Enterprise Day will be followed in Q4 with our sponsorship of the National Start Up awards.

Customer Success Campaign: A total of 6 customers have been chosen to take part in interviews about their experience in dealing with MFI and how this has helped their business start, grow and in some cases reopen. The 6 customers have different demographics for the campaign to relate to as many segments as possible. Interviews started in June and are ongoing.

Performance:

After a very strong H1 MFI had a quiet quarter 3. This seems this was not confined to MFI but was a feature across the market as people and businesses took annual holidays. We particularly saw a drop off in the level of Covid loan applications which is not unsurprising given the reopening of the economy. This lower level of demand was also reflected in the Oct 2021 Credit Demand Survey which showed decrease in demand compared to the previous survey.

We are continuing to provide more partial approvals than the norm in an effort to support as many businesses as possible while remaining within our risk appetite.

Demand for the Brexit support loan remains very muted and our expectation is that this may not change as many of our borrowers may not be directly impacted by Brexit related issues.

Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

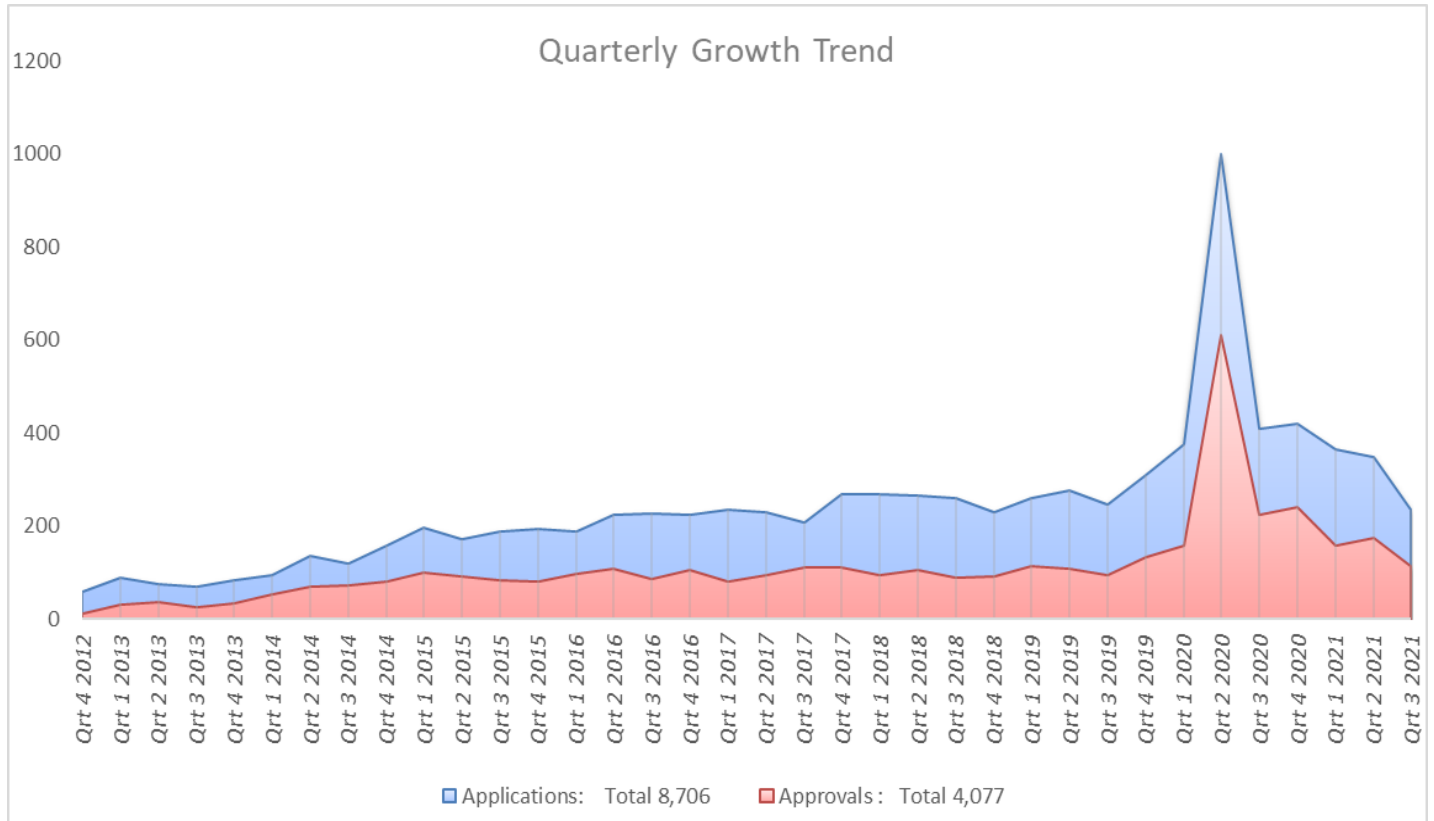
Applications by Quarter

Total Applications Received												
	2013	2014	2015	2016	2017	2018	2019	2020	Q1 2021	Q2 2021	Q3 2021	Total (1st October 2012 to 30th September 2021)
Total Applications No.	379	508	752	861	941	1024	1092	2202	364	348	235	8,706
Total Applications Amt.	€6.739M	€8.451M	€12.317M	€13.567M	€13.906M	€15.237M	€16.674M	€51.794M	€6.263M	6.092M	4.057M	€155.1M

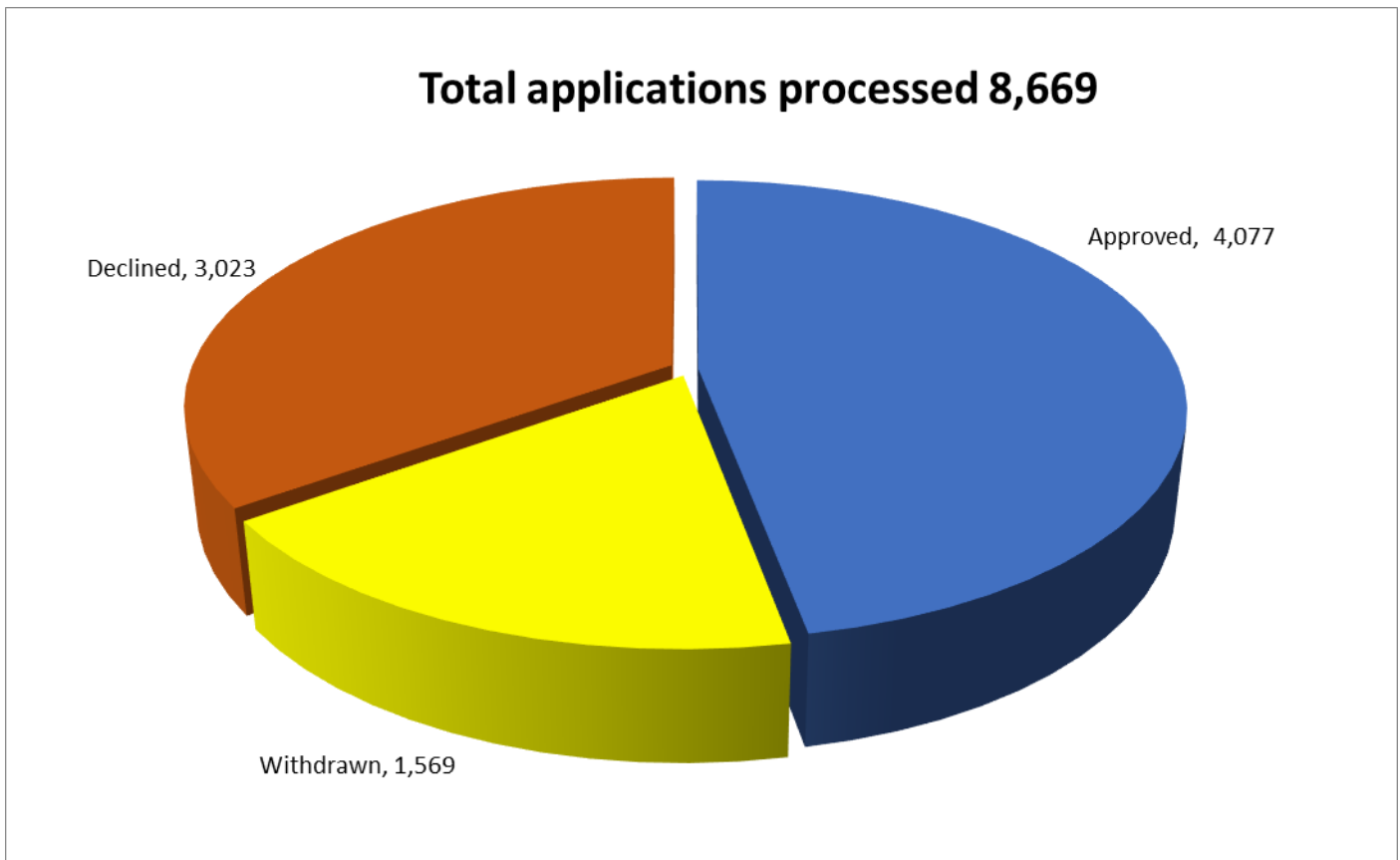
Total Applications Processed												
	2013	2014	2015	2016	2017	2018	2019	2020	Q1 2021	Q2 2021	Q3 2021	Total (1st October 2012 to 30th September 2021)
Applications Processed	348	483	743	902	927	1021	1068	2212	351	356	258	8,669
Approved	139	274	357	397	400	384	452	1229	157	175	113	4,077
Approval Rate	40%	57%	48%	44%	43%	38%	42%	56%	45%	49%	44%	47%
Approved (€'000)	2,159	4,159	5,378	5,392	5,503	5,361	6,043	27,432	2,409	2,877	1,803	68,516

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	Q2 2021	Q3 2021	Total (1st October 2012 to 30th September 2021)
1	60	141	187	235	195	183	266	473	85	98	60	1983
2-3	56	86	97	91	134	143	117	401	50	55	38	1268
4-5	16	22	33	45	37	31	35	177	16	13	6	431
6-9	10	25	40	26	34	27	34	178	6	9	9	398
10												0
Prior period adj	-3	0										-3
Total No. of Loans	139	274	357	397	400	384	452	1229	157	175	113	4,077

Approvals by Loan Size

From 1st October 2012 to 30th September 2021, loans were granted in the following size range.

Euro	No. of Loans
≤50k	288
≤25k	1146
≤20k	457
≤15k	681
≤10k	650
≤5k	855
Total	4,077
Average loan size €16.8K	

Purpose for which Microfinance Loans were granted

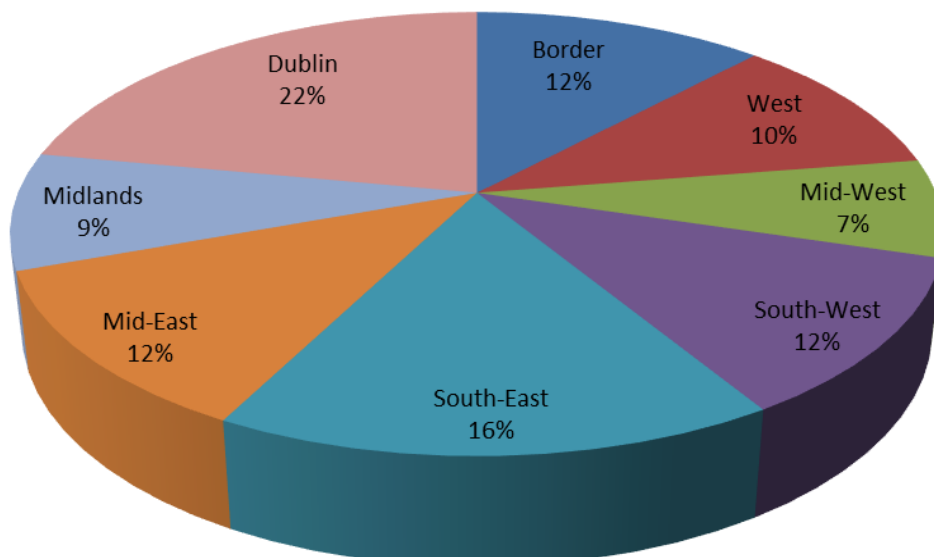
Loans were granted for the following purposes:

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

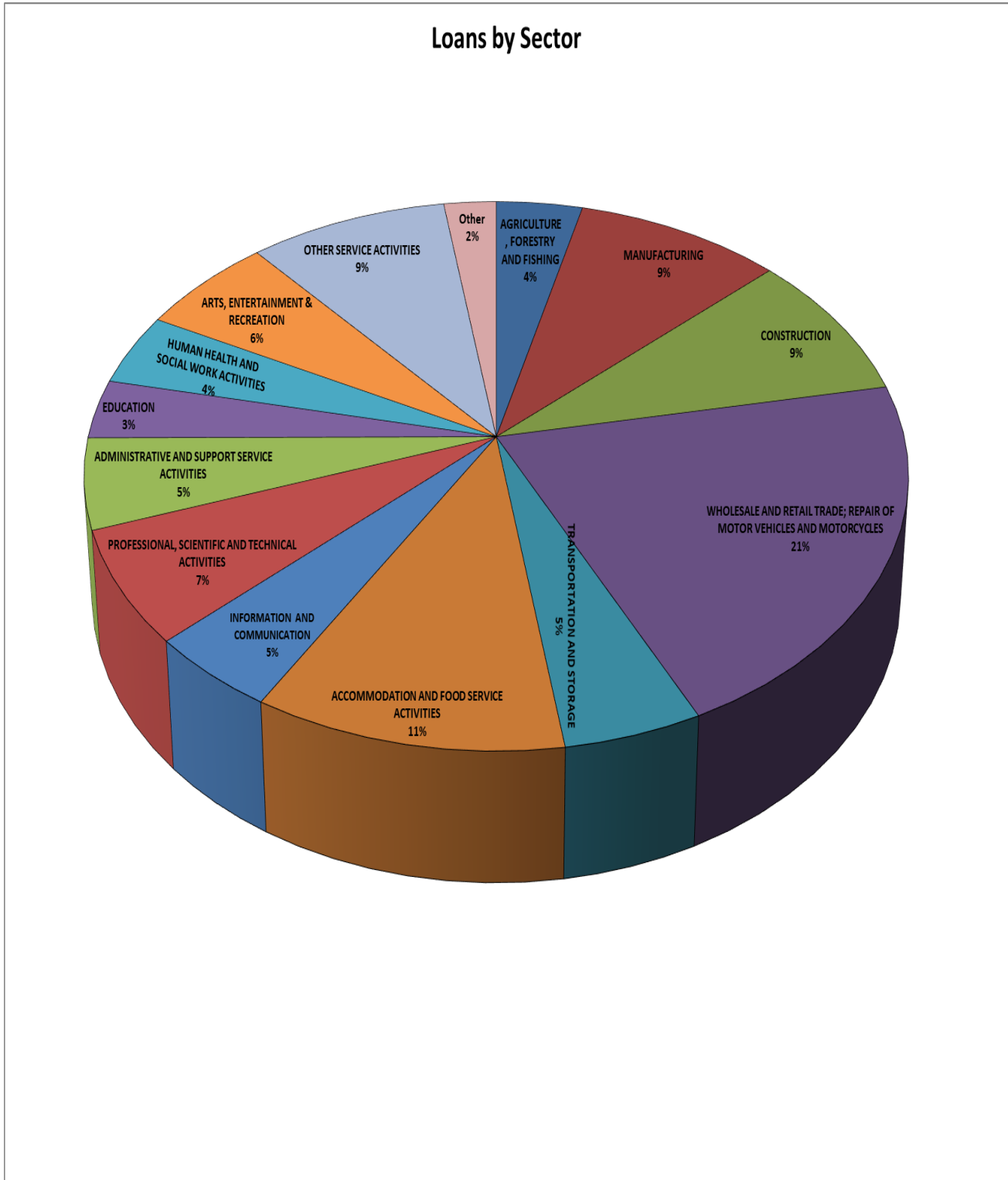
Geographical Analysis of Approval – from 1st October 2012 to 30th September 2021

Geographical Spread							
County	Received	Approved	Approved Amount €000	County	Received	Approved	Approved Amount €000
Dublin	2107	898	16,564	Donegal	252	123	2,102
Cork	713	345	5,510	Westmeath	231	114	1,993
Meath	439	170	2,642	Mayo	211	126	2,046
Galway	438	218	3,487	Cavan	199	95	1,213
Kildare	363	175	3,074	Laois	180	83	1,200
Wexford	356	207	3,542	Roscommon	171	83	1,244
Limerick	343	167	2,944	Offaly	168	87	1,483
Tipperary	327	158	2,409	Kilkenny	154	79	1,467
Waterford	322	159	2,533	Sligo	143	74	1,100
Wicklow	312	136	2,194	Longford	142	64	1,043
Kerry	274	126	2,283	Carlow	134	67	1,152
Louth	250	90	1,579	Monaghan	121	53	864
Clare	247	124	2,015	Leitrim	109	56	833
Total Applications Received:				8,706			
Total Applications Approved:				4,077			
Total Applications Approval Amount:				€68,516M			

Approved Loans By Regions



Approval by Business Sector



Demographical Analysis

Borrower's legal status

- 1,641 Microfinance loans were granted to Private Limited Companies
- 2,226 Sole Traders were granted a microfinance loan
- 210 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 4,077 loans approved, 1,720 were start-up enterprises (<18 months) and 2,357 to existing enterprises.

Gender Breakdown

Of the total applications received 74% (6,406) were from male promoters and 26% (2,300) from female promoters. Of the loans approved as at 30th September 2021, 73% (2,949) were to male promoters while 27% (1,128) were to female promoters.

Youths

There were 74 loans approved to young entrepreneurs comprising 2% of all the applications approved to date.

Approved Applications	Volume	Value
Total Approved	4,077	€68,516
Start up (18 months)	1,720	
Existing	2,357	
No. of Ltd Co	1,641	
No. of Sole Traders	2,226	
No of Partnerships	210	
Females	1,128	
Males	2,949	
Youth (18-25 years old)	74	

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 454 appeals from inception to 30th September 2021 and 89 of these cases have been approved on appeal (20%). These figures are included in the overall approval figures.

Complaints

1 complaint was received by the business in quarter 3, 2021 which brings the total complaints for 2021 to 6. The number of complaints received by the business since 2012 total 55.

Business Failures

Up to end September 2021, 447 businesses of the 3,651 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, 3,315 of our loan applications were received from the LEOs accounting for 38% of all applications. Of these applications received from the LEOs, 3,303 were fully processed by the 30th September 2021 resulting in 1,878 being approved giving an approval rate of 57%. 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 5,391 applications via these channels which equates to 62% of all applications. Of these applications, 5,366 were fully processed by the 30th September 2021 resulting in 2,199 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, 347 applications have been received as a result of 1,426 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. While volumes are relatively low, 299 applications have been submitted since inception of the fund to September 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.