

Microfinance Ireland

Report on The Microenterprise Loan Fund Scheme as at 30th September 2018



An Roinn Gnó,
Fiontar agus Nuálaíochta
Department of Business,
Enterprise and Innovation



Oifig Fiontair Áitiúil 
Local Enterprise Office

Contents

Overview of the Microenterprise Loan Fund Scheme.....	2
Fund Performance Summary: 1st October 2012 to 30th September 2018.....	2
Performance in Quarter 3 2018.....	3
Microenterprise Loan Fund Scheme Analysis since inception (October 2012).....	4
Applications by Quarter	4
Monthly Growth Trend.....	4
Applications processed.....	5
Approvals by Size of Borrower.....	5
Approvals by Loan Size.....	6
Purpose for which Microfinance Loans were granted	6
Geographical Analysis of Approvals.....	7
Approval by Business Sector	8
Demographical Analysis.....	9
Appeals Process	10
Business Failures.....	10
Source of Loan Referrals	11

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 September 2018

As at end September 2018, Microfinance Ireland has been in business for six years. In this time, it has delivered the following key results:

- ✓ **4,235 Applications received**
- ✓ **€26.7M Value of loans approved**
- ✓ **4,407 Net jobs supported in 1,859 micro-enterprises**
- ✓ **44% Approval rate**
- ✓ **€22.8M Value of loans drawn**
- ✓ **1,623 Loans drawn**
- ✓ **Average Loan size of €14K**
- ✓ **82% approvals granted to businesses employing 3 people or fewer**
- ✓ **56% 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 (22%)	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 (2%)	OTHER (2%)

Assessing applications efficiently:

Promo

- ✓ **4,196** Applications processed to full assessment
- ✓ **39** Applications in progress at reporting date
- ✓ Endeavour to process complete applications within **10 days**

The exce throughout 2018.

Key performance indicators for Quarter 3 in 2018:

- ✓ **260 Applications received**
- ✓ **€1.3M Value of loans approved**
- ✓ **89 Loans approved**
- ✓ **130 Net jobs supported in 89 micro-enterprises**
- ✓ **34% Approval rate**
- ✓ **€1.3M Value of loans drawn**
- ✓ **89 Loans drawn**
- ✓ Average Loan size of **€14K**
- ✓ **87%** approvals granted to businesses employing **3 people or fewer**
- ✓ **63%** of approvals granted to start-ups (in business for less than 18 months)
- ✓ **Wide geographic coverage:** 18% of loans granted to Dublin, 82% to the rest of Ireland

- Application volumes for the Quarter were very strong, with application volumes being 26% ahead of the same quarter in 2017.
- Applications continue to be well spread geographically and by types of enterprises, with the majority continuing to be start-ups.
- The credit quality of new applications continues to be challenging, reducing our percentage rate of approvals to 34%, compared to 50% in the same Quarter in 2017.
- Loans totalling €1.3M were approved in the Quarter and through these approvals, 130 jobs were sustained or created.
- Loans drawn down in the Quarter was very positive at €1.3M, 21% ahead of Quarter 3 in 2017.

MFI continued to focus on advertising and promotion across a broad range of marketing activities.

In the quarter, there was a strong focus on digital marketing to communicate and engage with MFI's target market with strong progress achieved. A number of social media campaigns were delivered on Facebook resulting in a steady volume of direct applications during the summer which has historically been a lower volume period.

The direct channel continues to grow strongly and is now the largest delivery channel, representing 64% of business volumes in the Quarter. While the number of direct applications continues to grow, MFI is still very reliant on our referral partners, the Local Enterprise Office Network, the Irish Local Development Network and the main commercial banks. Ongoing engagement with these partners were undertaken during Quarter 3, to ensure the maximum number of referrals and applications are submitted to MFI.

Microenterprise Loan Fund Scheme Analysis since inception (October 2012)

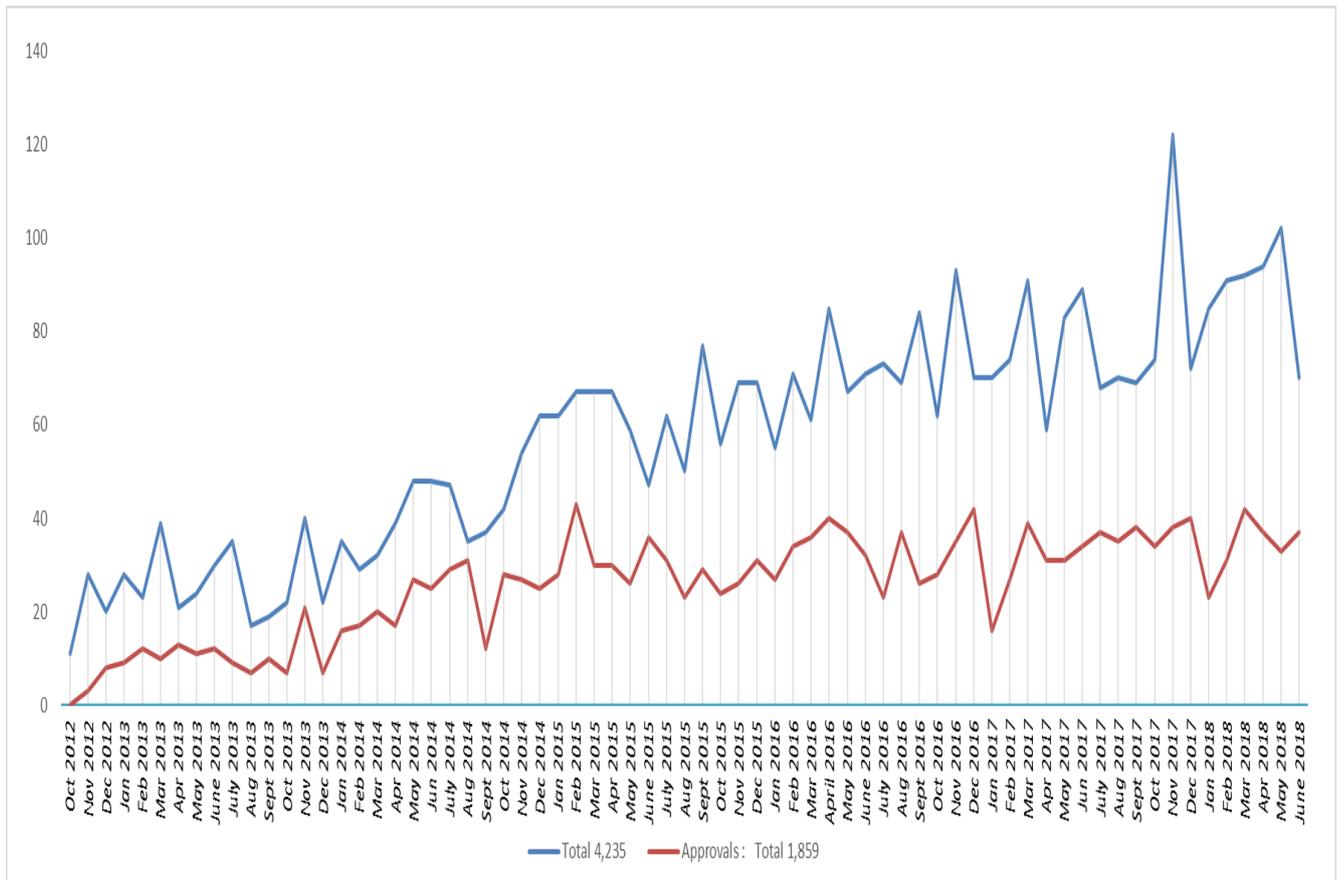
Applications by Quarter

Total Applications Received																								
	2013		2014		2015		2016		Q1 2017		Q2 2017		Q3 2017		Q4 2017		Q1 2018		Q2 2018		Q3 2018		Total (1st October 2012 to 30th September 2018)	
Total Applications	379	€6.739M	508	€8.451	752	€12.317M	861	€13.567M	235	€3.450M	231	€3.514M	207	€2.849M	268	€4.093M	268	€4.108M	266	€3.894M	260	€3.791M	4,235	€66.773M

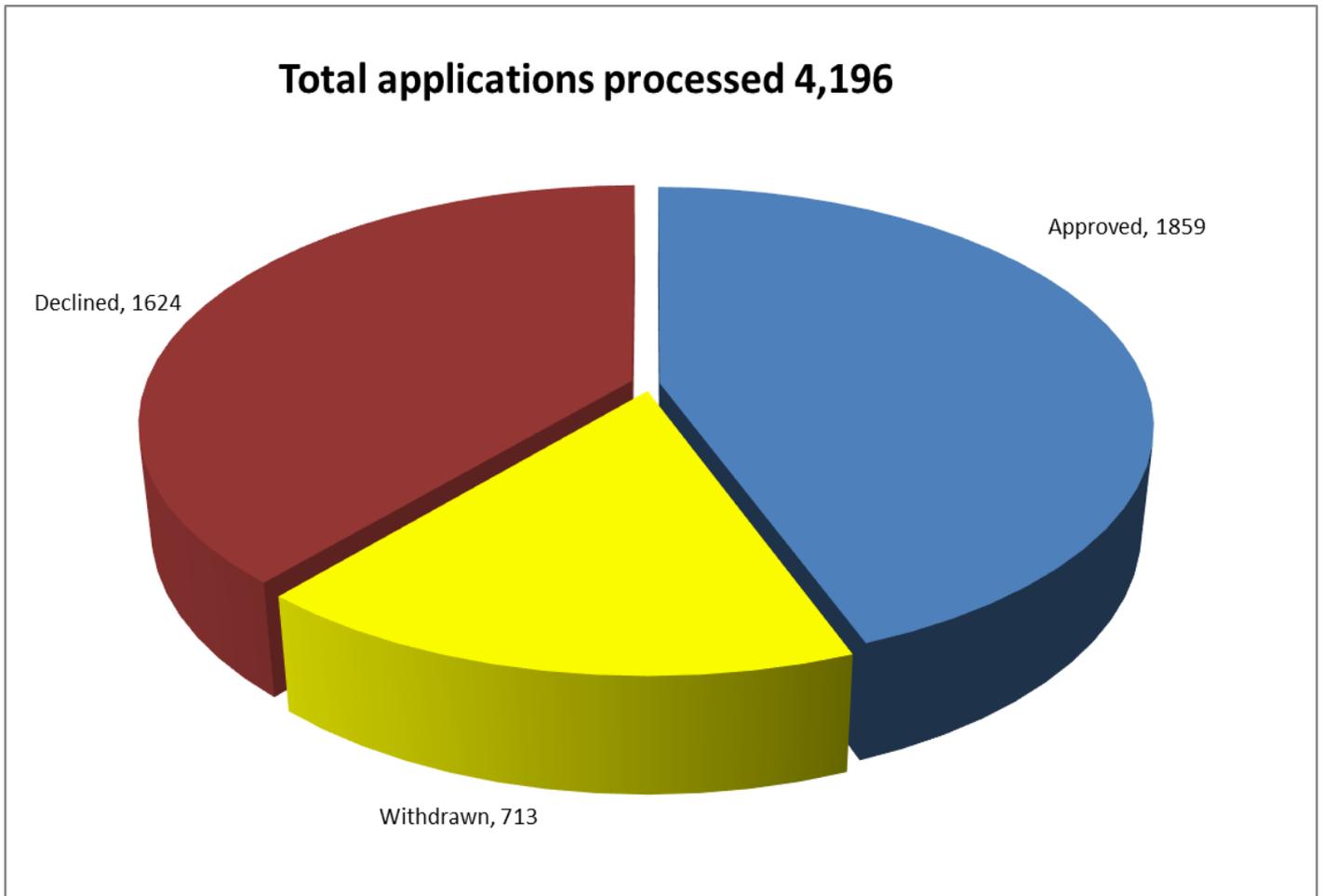
Total Applications Processed																								
	2013		2014		2015		2016		Q1 2017		Q2 2017		Q3 2017		Q4 2017		Q1 2018		Q2 2018		Q3 2018		Total (1st October 2012 to 30th September 2018)	
Applications Processed		348		483		743		902		211		230		220		266		251		281		261		4,196
Approved		139		274		357		397		82		96		111		111		96		107		89		1,859
Approval Rate		40%		57%		48%		44%		39%		42%		50%		42%		38%		38%		34%		44%
Approved (€'000)		2,159		4,159		5,378		5,392		1,095		1,392		1,439		1,577		1,300		1,524		1,274		26,689

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	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Total (1st October 2012 to 30th September 2018)
1	60	141	187	235	39	43	52	61	43	48	45	954
2-3	56	86	97	91	28	34	42	30	41	42	32	579
4-5	16	22	33	45	11	11	9	6	8	8	7	176
6-9	10	25	40	26	4	8	8	14	4	9	5	153
10								0				0
Prior period adj	-3	0										-3
Total No. of Loans	139	274	357	397	82	96	111	111	96	107	89	1,859

Approvals by Loan Size

From 1st October 2012 to 30th September 2018, loans were granted in the following size range.

Euro	No. of Loans
≤25k	545
≤20k	206
≤15k	315
≤10k	338
≤5k	455
Total	1,859
<i>Average loan size €14.4K</i>	

Purpose for which Microfinance Loans were granted

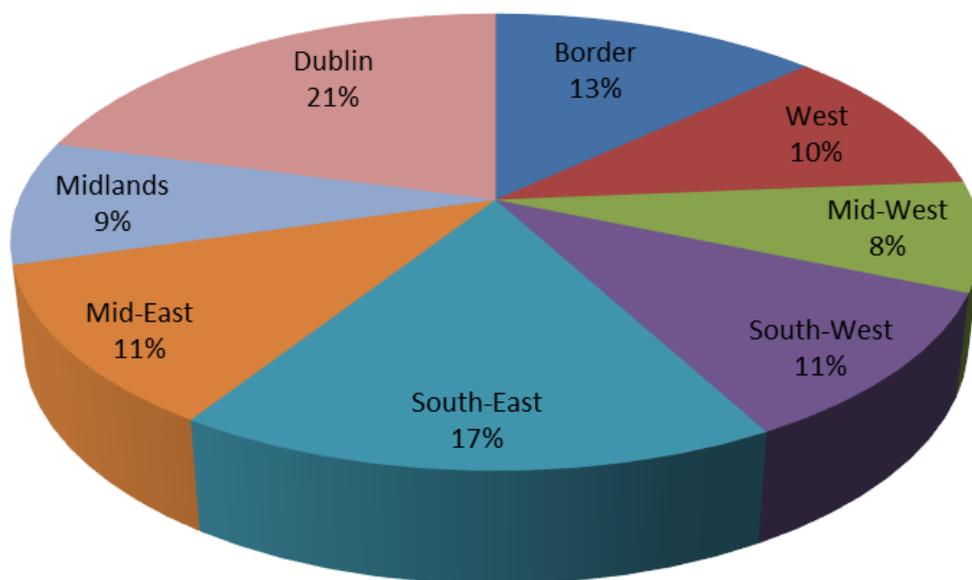
Loans were granted for the following purposes:

- 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 2018

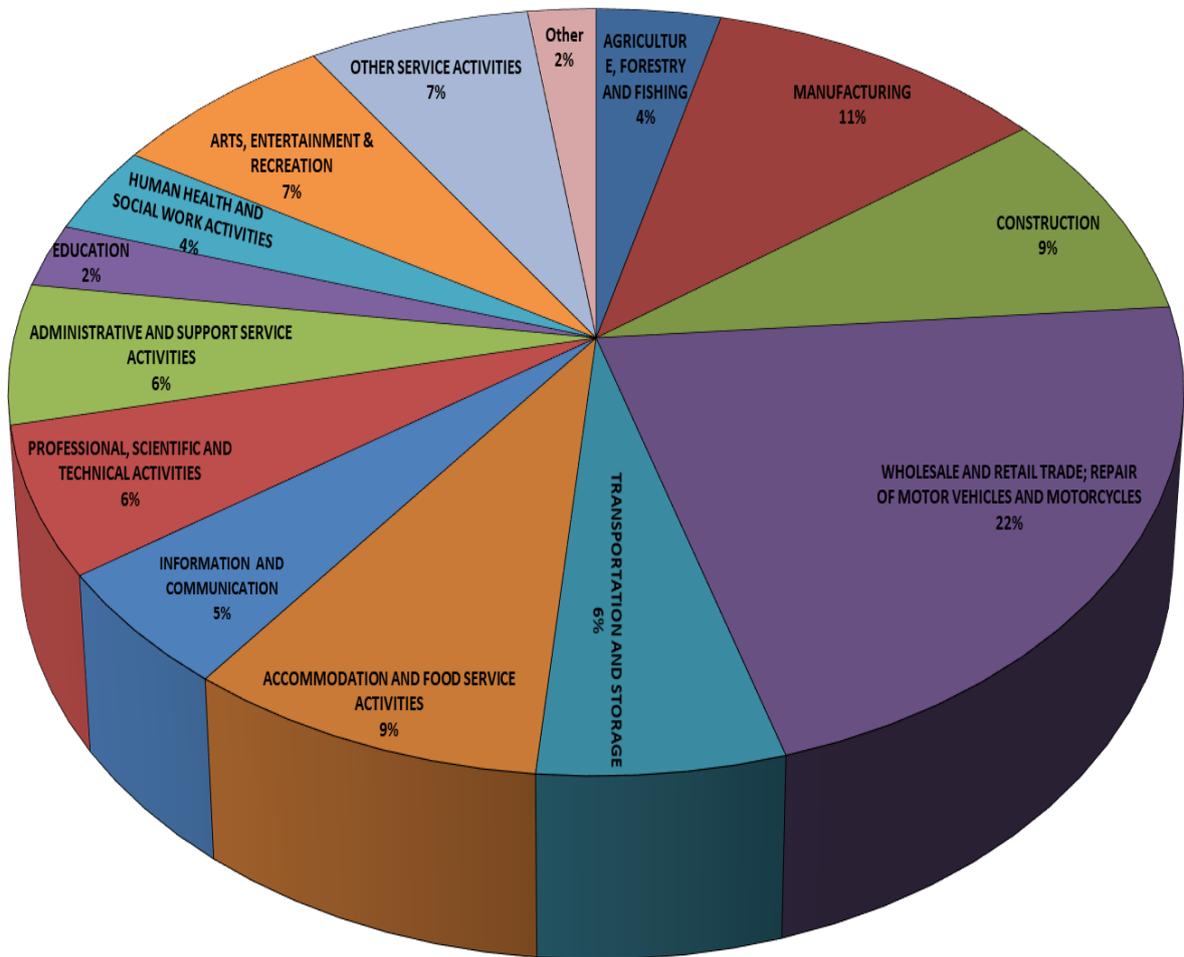
Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	944	386	Westmeath	118	50
Cork	338	150	Louth	115	38
Meath	217	83	Mayo	112	61
Galway	204	97	Donegal	109	47
Tipperary	197	90	Laois	95	40
Limerick	195	86	Longford	88	37
Waterford	172	74	Sligo	86	51
Wexford	162	93	Offaly	83	36
Kildare	149	71	Roscommon	81	39
Wicklow	143	58	Carlow	68	29
Kerry	124	49	Monaghan	68	26
Clare	122	58	Kilkenny	66	29
Cavan	122	51	Leitrim	57	30
Total Applications Received: 4,235 Total Applications Approved: 1,859					

Approved Loans By Regions



Approval by Business Sector

Loans by Sector



Demographical Analysis

Borrower's legal status

- 665 Microfinance loans were granted to Private Limited Companies
- 1,058 Sole Traders were granted a microfinance loan
- 136 Microfinance loans were granted to Partnerships

Start-Up/Existing

Of the 1,859 loans approved, 1,046 were start-up enterprises (<18 months) and 813 to existing enterprises.

Gender Breakdown

Of the total applications received 75% (3,179) were from male promoters and 25% (1,056) from female promoters. Of the loans approved as at 30th September 2018, 74% (1,374) were to male promoters while 26% (485) were to female promoters.

Youths

There were 48 loans approved to young entrepreneurs comprising 3% of all the applications approved to date.

Approved Applications	Numbers	Value €
Total Approved	1,859	26.689M
Start-Up (<18 months)	1,046	
Existing	813	
No. of Ltd. Co.	665	
No. of Sole Traders	1,058	
No. of Partnerships	136	
Female	485	
Male	1,374	
Youth (18-25 years old)	48	

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 224 appeals from inception to 30th September 2018 and 37 of these cases have been approved on appeal (17%). These figures are included in the overall approval figures.

Business Failures

Up to end September 2018, 239 businesses of the 1,859 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 and Irish Local Development Network

Microfinance Ireland's main referral partners are the Local Enterprise Offices (LEOs). To date, 1,861 of our loan applications were received from the LEOs accounting for 44% of all applications. Of these applications received from the LEOs, 1,846 were fully processed by the 30th September 2018 resulting in 947 being approved giving an approval rate of 51%. The LEOs also support MFI applicants with their application, relevant business training and both pre and post loan mentoring assistance.

MFI continues to work with the Irish Local Development Network (ILDN), which deal with a large number of clients who are moving to self-employment and are on the Back to Work Enterprise Allowance (BTWEA). While volumes are relatively low with 34 applications submitted for Quarter 3 2018, 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.

Direct Applications and Other Application Channels

While the LEOs remain our primary referral partners, there has been a strong flow of applications direct from enterprises and a growing stream via the Banks and ILDN, both by existing and new businesses. In the period from inception Microfinance Ireland has received 2,374 applications via these channels which equates to 56% of all applications. Of these applications, 2,350 were fully processed by the 30th September 2018 resulting in 912 being approved giving an approval rate of 39%.

Bank Channel

The Bank channel, consisting of Bank of Ireland, AIB, Ulster & Permanent TSB is continuing to make referrals to Microfinance Ireland. In the quarter to September 2018, 32 referrals and 4 loan applications were received which is considerably lower than previous quarters. The relationship with all of the Banks is monitored closely with a view to providing a consistent flow of leads/applications and driving increased performance.