

## Microfinance Ireland

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# Report on The Microenterprise Loan Fund Scheme as at 31st December 2018

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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 programme's 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 31st December 2018

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

- ✓ **4,465 Applications received**
- ✓ **€28.0M Value of loans approved**
- ✓ **4,808 Net jobs supported in 1,951 micro-enterprises**
- ✓ **44% Approval rate**
- ✓ **€24.0M Value of loans drawn**
- ✓ **1,699 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 (10%)
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:

- ✓ **4,424 Applications processed to full assessment**
- ✓ **41 Applications in progress at reporting date**
- ✓ **Endeavour to process complete applications within 10 days**

## Promotion and Performance of the fund in 2018

Key performance indicators in 2018:

- ✓ **1,024 Applications received**
- ✓ **€5.4M Value of loans approved**
- ✓ **856 Net jobs supported in 384 micro-enterprises**
- ✓ **38% Approval rate**
- ✓ **€4.9M Value of loans drawn**
- ✓ **346 Loans drawn**
- ✓ Average Loan size of **€14K**
- ✓ **85%** approvals granted to businesses employing **3 people or fewer**
- ✓ **54%** 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

- 2018 was a record year for Loan Applications, exceeding 1,000 Applications for the first time in the year. Overall, year on year Loan Applications numbers grew by 9% to 1,024. Up to end September 2018, year on year growth was running further ahead, at 18%, but the final quarter recorded a marked slowdown possibly linked to weaker business sentiment and Brexit.
- In December, MFI won the “InBusiness” Recognition award in the category Best Finance Provider for Micro-Enterprises and Start-Ups, organised by Chambers Ireland. This is a great acknowledgement of the work being undertaken by MFI and the impact the business is making in the micro- enterprise sector.
- Loan Applications continue to be well spread geographically and by types of enterprises, with the majority continuing to be start-ups.
- The quality of new loan applications in 2018 was adjudged by our Credit Underwriters to be somewhat weaker than heretofore and this resulted in a lower Loan Approval rate of 38% in 2018, compared to 43% in 2017. Loans totalling €5.4M were approved to 384 businesses in the year resulting in 856 jobs created or sustained.
- The continued growth in Loan Applications reflects the increased awareness in the market place of Microfinance Ireland unique product offering (which focusses on start-ups and existing businesses which cannot get funding through traditional sources) and the broad range of marketing activities employed, including advertising, PR, partner engagements and events.
- While MFI continued to utilise traditional media with a range of print and local radio campaigns, during the year there was a strong focus on digital marketing/social media campaigns to communicate and engage with MFI’s target market with strong progress achieved in the year. Both traditional and digital campaigns continued to prove successful in delivering a steady volume of applications.
- MFI’s direct channel for Loan Applications continues to grow steadily and is now the largest channel for receipt of applications, representing 60% by number in 2018. MFI is also very reliant for referrals on our partners, the Local Enterprise Office Network, The Irish Local Development Network and the main commercial banks in Ireland.

## Promotion and Performance of the Fund during Quarter 4 2018

A range of marketing and PR activities were undertaken by the business during Q4 2018. These included:

- Continuation of online campaigns across social media platforms.
- An email marketing campaign commenced in late November to follow up with 1300+ contacts who had registered their interest but had not yet applied. The impact was positive with a large number of recipients indicating they were still planning to apply, thus hopefully ensuring a steady flow of applications into early 2019.
- Co Meath Chamber ran a breakfast briefing in Navan exclusively for MFI as part of Meath Enterprise week.
- CEO interview on Castlebar Radio Business Show.
- Presentation on Finance for Entrepreneurs and mentoring advice provided by the CEO as part of Inner-City Enterprises (ICE) "Youth Business International Entrepreneurial training". MFI plan to provide similar support at future training events.
- Presentation by CEO at the African Diaspora Entrepreneurship Forum.

The impact of our continued growth in brand awareness and performance was confirmed in December when MFI won the "InBusiness" Recognition award in the category Best Finance Provider for Micro-Enterprises and Start-Ups, organised by Chambers Ireland. This is a great acknowledgement for MFI and the impact the business is making in the micro- enterprise sector.

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

- A number of meetings with our main referral partner, the Local Enterprise Network.
- Invited participant at the National Summit on Future Jobs.
- Follow up review meeting in relation to "DBEI & OECD Country Review on SME and Entrepreneurship Policy in Ireland"

**Performance:** Following four quarters (Q4 2017 and Q1-Q3 2018) of record volumes in applications the final quarter recorded a marked slowdown, thus reducing the overall growth in applications for the year to 9%. This reduced level of activity is possibly linked to weaker business sentiment and Brexit.

In the quarter, €1.3m in loans was approved for 92 businesses. Following our year end job boost, 401 jobs were supported in the quarter. The loan approval rate in the quarter was 40%

### Key performance indicators for Quarter 4 2018:

- |   |   |   |
|---|---|---|
| ✓ | <b>230</b>  | <b>Applications received</b>                      |
| ✓ | <b>€1.3M</b>  | <b>Value of loans approved</b>                    |
| ✓ | <b>401</b>  | <b>Net jobs supported in 92 micro-enterprises</b> |
| ✓ | <b>40%</b>  | <b>Approval rate</b>                              |
| ✓ | <b>€1.2M</b>  | <b>Value of loans drawn</b>                       |
| ✓ | <b>76</b>   | <b>Loans drawn</b>                                |
| ✓ | Average Loan size of <b>€14K</b>  |   |
| ✓ | <b>82%</b> approvals granted to businesses employing <b>3 people or fewer</b>               |   |
| ✓ | <b>48%</b> of approvals granted to start-ups (in business for less than 18 months)          |   |
| ✓ | <b>Wide geographic coverage:</b> 23% of loans granted to Dublin, 77% to the rest of Ireland |   |

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

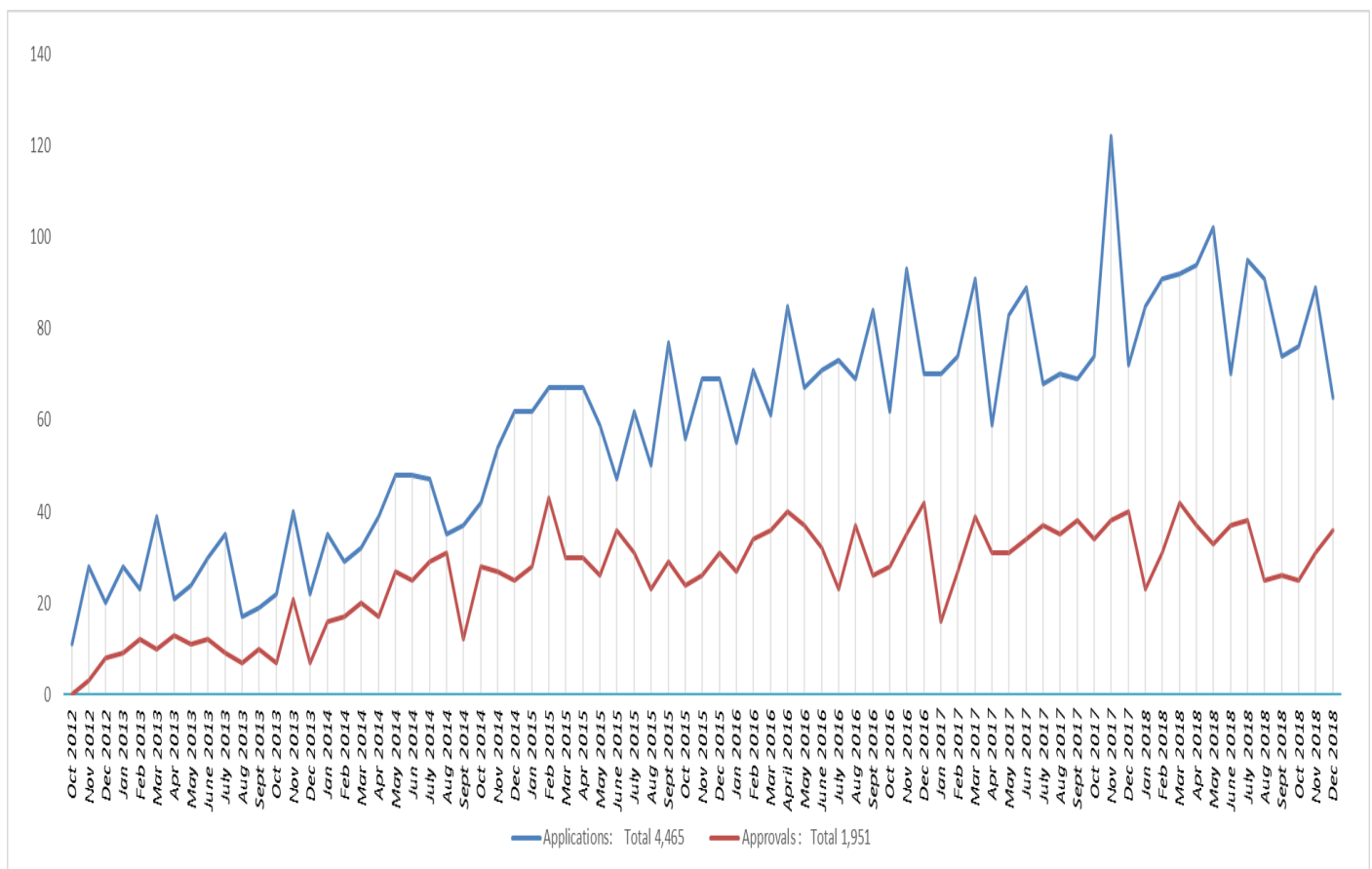
### Applications by Quarter

Total Applications Received																										
	2013		2014		2015		2016		Q1 2017		Q2 2017		Q3 2017		Q4 2017		Q1 2018		Q2 2018		Q3 2018		Q4 2018		Total (1st October 2012 to 31st December 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	230	€3.444M	4,465	€70.217M

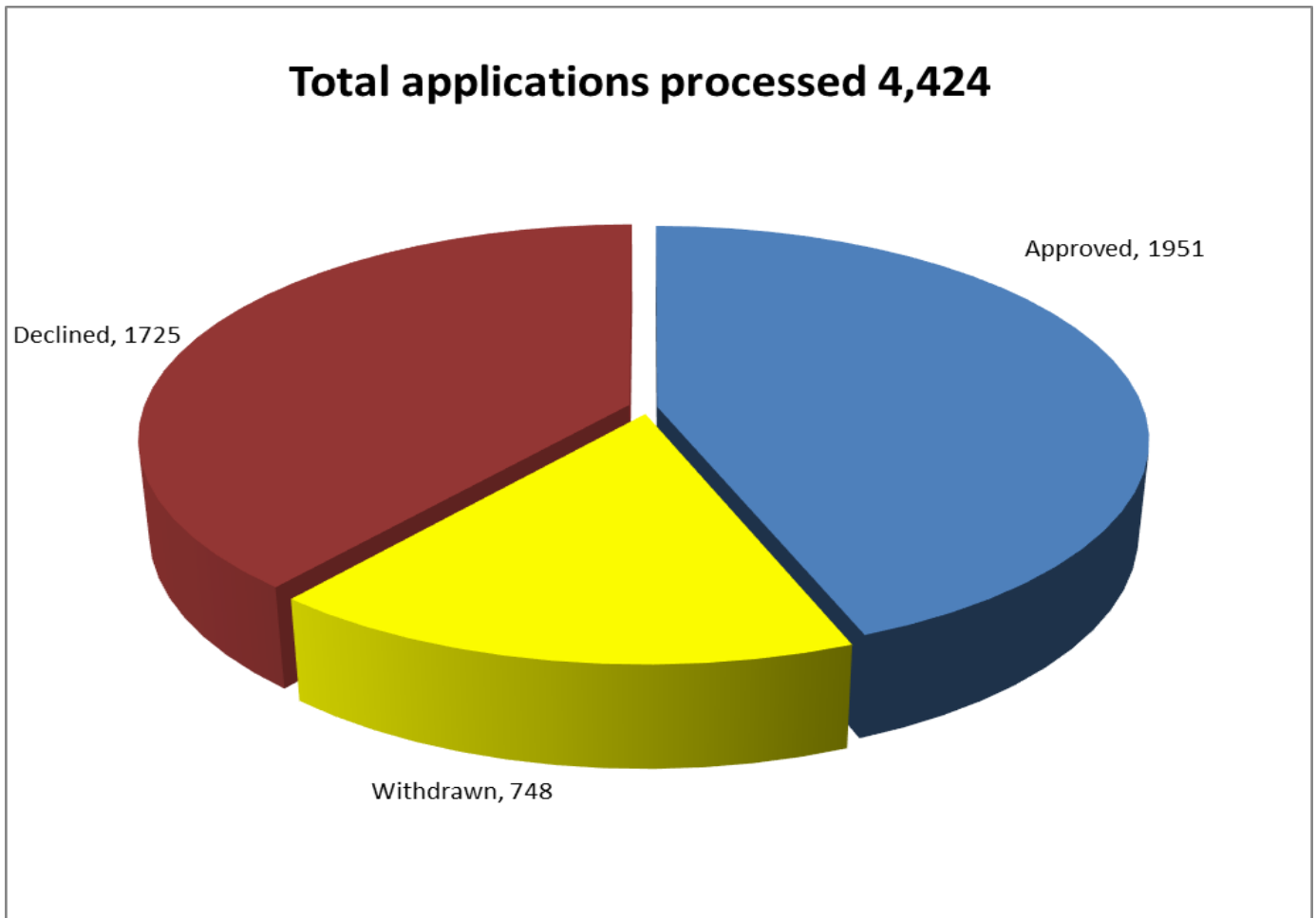
Total Applications Processed																										
	2013		2014		2015		2016		Q1 2017		Q2 2017		Q3 2017		Q4 2017		Q1 2018		Q2 2018		Q3 2018		Q4 2018		Total (1st October 2012 to 31st December 2018)	
Applications Processed		348		483		743		902		211		230		220		266		251		281		261		228		4,424
Approved		139		274		357		397		82		96		111		111		96		107		89		92		1,951
Approval Rate		40%		57%		48%		44%		39%		42%		50%		42%		38%		38%		34%		40%		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		1,263		27,952

### 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												Total (1st October 2012 to 31st December 2018)
	2013	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	
1	60	141	187	235	39	43	52	61	43	48	45	47	1001
2-3	56	86	97	91	28	34	42	30	41	42	32	28	607
4-5	16	22	33	45	11	11	9	6	8	8	7	8	184
6-9	10	25	40	26	4	8	8	14	4	9	5	9	162
10								0					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>82</b>	<b>96</b>	<b>111</b>	<b>111</b>	<b>96</b>	<b>107</b>	<b>89</b>	<b>92</b>	<b>1,951</b>

## Approvals by Loan Size

From 1<sup>st</sup> October 2012 to 31st December 2018, loans were granted in the following size range.

<b>Euro</b>	<b>No. of Loans</b>
≤25k	566
≤20k	215
≤15k	339
≤10k	355
≤5k	476
<b>Total</b>	<b>1,951</b>
<i>Average loan size €14.3K</i>	

## Purpose for which Microfinance Loans were granted

Loans were granted for the following purposes:

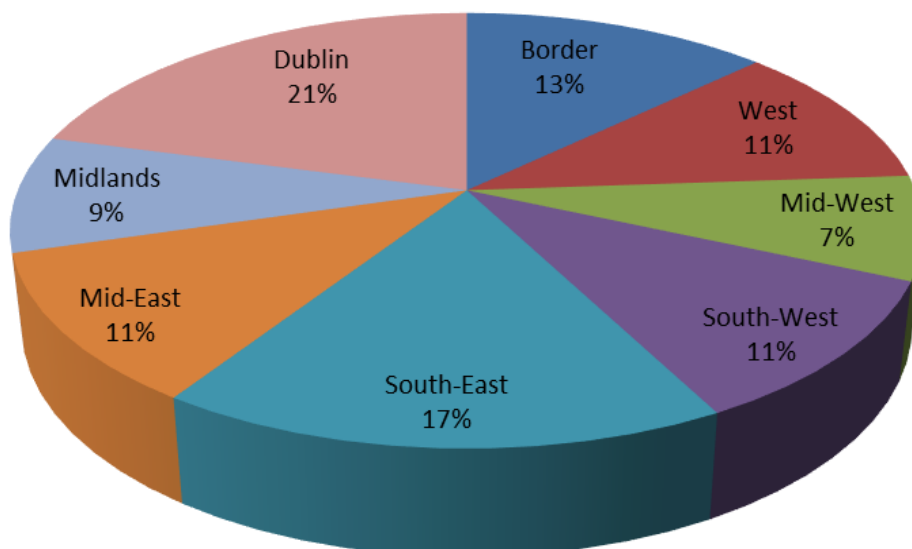
- Working Capital
- Fit-out of Premises
- Purchase of Equipment
- Information & Communications Technology
- Promotion and Marketing



**Geographical Analysis of Approval – from 1<sup>st</sup> October 2012 to 31st December 2018**

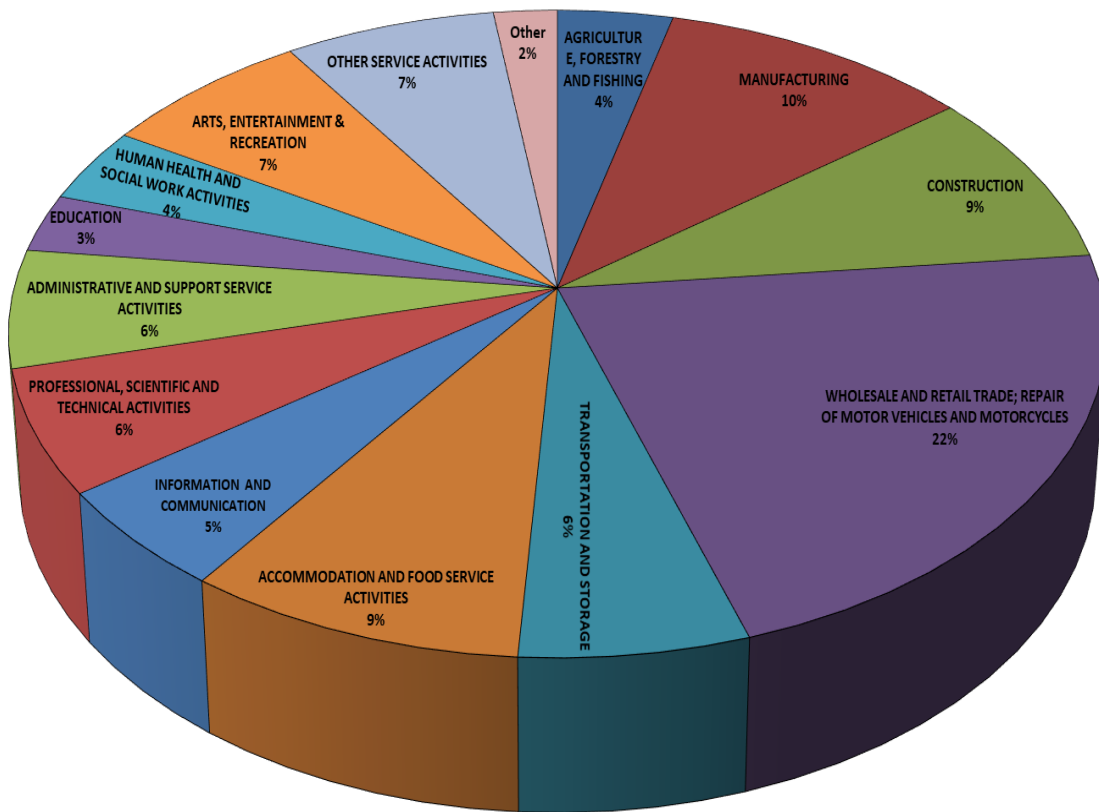
Geographical Spread					
County	Received	Approved	County	Received	Approved
Dublin	1002	407	Louth	125	41
Cork	354	157	Westmeath	122	52
Meath	233	85	Mayo	117	66
Galway	224	108	Donegal	116	48
Tipperary	205	96	Laois	98	41
Limerick	204	91	Longford	92	39
Waterford	182	78	Sligo	91	53
Wexford	172	97	Offaly	88	38
Kildare	160	71	Roscommon	82	39
Wicklow	149	61	Monaghan	71	27
Kerry	131	52	Carlow	69	31
Clare	126	59	Kilkenny	67	30
Cavan	126	53	Leitrim	59	31
<b>Total Applications Received: 4,465</b> <b>Total Applications Approved: 1,951</b>					

**Approved Loans By Regions**



Approval by Business Sector

Loans by Sector



## Demographical Analysis

### Borrower's legal status

- 697 Microfinance loans were granted to Private Limited Companies
- 1,111 Sole Traders were granted a microfinance loan
- 143 Microfinance loans were granted to Partnerships

### Start-Up/Existing

Of the 1,951 loans approved, 1,090 were start-up enterprises (<18 months) and 861 to existing enterprises.

### Gender Breakdown

Of the total applications received 75% (3,344) were from male promoters and 25% (1,121) from female promoters. Of the loans approved as at 31st December 2018, 74% (1,444) were to male promoters while 26% (507) 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 €
<b>Total Approved</b>	1,951	27.952M
<b>Start-Up (&lt;18 months)</b>	1,090	
<b>Existing</b>	861	
<b>No. of Ltd. Co.</b>	697	
<b>No. of Sole Traders</b>	1,111	
<b>No. of Partnerships</b>	143	
<b>Female</b>	507	
<b>Male</b>	1,444	
<b>Youth (18-25 years old)</b>	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 236 appeals from inception to 31st December 2018 and 41 of these cases have been approved on appeal (17%). These figures are included in the overall approval figures.

## **Business Failures**

Up to end December 2018, 277 businesses of the 1,951 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, 1,927 of our loan applications were received from the LEOs accounting for 43% of all applications. Of these applications received from the LEOs, 1,915 were fully processed by the 31st December 2018 resulting in 982 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 many clients who are moving to self-employment and are on the Back to Work Enterprise Allowance (BTWEA). While volumes are relatively low, 257 applications have been submitted since inception of the fund to December 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 2,538 applications via these channels which equates to 57% of all applications. Of these applications, 2,509 were fully processed by the 31st December 2018 resulting in 969 being approved giving an approval rate of 39%.

### Bank Channel

The Bank channel, consisting of Bank of Ireland, AIB, Ulster & Permanent TSB, continues to make referrals to Microfinance Ireland. This channel is relatively new commencing during 2016 and since then 870 referrals leading to 199 loan applications were received. The relationship with all the Banks is monitored closely with a view to providing a consistent flow of leads/applications and driving increased performance.