

Case Studies and Policy Changes

MicroFinance Ireland: Targeted Lending for Microenterprises Impacted by COVID-19

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Original post [here](#).

Ireland is expanding an existing direct lending program to help small businesses deal with declining revenues during the coronavirus crisis.

The coronavirus pandemic is projected to have a large and detrimental impact on small and medium-sized enterprises (SMEs). Many countries have established government credit guarantee programs to ensure that SMEs can access liquidity. Some countries, like Ireland, have programs for direct government lending to SMEs in addition to or in lieu of guarantees.

[MicroFinance Ireland](#) was established in 2012 by the [Microenterprise Loan Fund Act](#). Its lending activities are limited to microenterprises with no more than 10 employees and less than €2 million in revenue that do not meet the risk criteria of private banks. Applicants are [required](#) to prove that they have been refused financing by a bank before their applications are considered. Thus, the fund was designed so that it does not replace traditional bank lending.

In response to Covid-19, MicroFinance Ireland has launched an [emergency lending program](#). Microenterprises must demonstrate that they are facing a negative impact on their business from the coronavirus pandemic, with a minimum expected impact of 15% in lost profits or revenue. Applicants submit financial projections in a template showing expected monthly cashflows for six months.

The lending limit for loans under the emergency program is €50,000, an increase from the normal €25,000, with a maximum three-year term limit. Microenterprises that apply directly to MicroFinance Ireland will be charged a 7.8% interest rate while those that apply to a local enterprise office will be charged a 6.8% interest rate. A key feature of the loans is that for the first six months they will be interest-free and have a payment moratorium, which is designed to address [cash flow uncertainty](#) due to the coronavirus pandemic.

Because MicroFinance Ireland has been operational since 2012, it is already equipped to offer emergency lending to microenterprises impacted by Covid-19. The program could serve as a crisis-response model for other countries with institutions similar to MicroFinance Ireland, although it could be difficult for countries without similar institutions to replicate given the need for an urgent response.