

MICROFINANCE (MFI) LOAN SECURITISATION MARKET

**Tighter pool selection and structural
enhancements support MFI pool
performance amidst challenging
environment**

SEPTEMBER 2025





Click to see full report

Microfinance loan securitisation volumes rose by 10% in Q1 FY2026 after declining in FY2025 on account of the investor aversion and muted appetite given high stress seen in the industry.

While direct assignment (DA) remains the preferred securitisation route, for the first time in Q1 FY2026, PTC volumes crossed those of DA. There has been a preference for PTC issuances among better rated originators.



Microfinance loan securitisation volumes had seen a sharp decline in FY2025, driven by lower portfolio collections, investor aversion and lower disbursements by originators, thereby reducing the pool availability. However, Q1 FY2026 showed signs of recovery, with volumes rising QoQ and YoY.



While direct assignment (DA) remains the preferred securitisation route, for the first time in Q1 FY2026, pass through certificates (PTC) volumes surpassed those of DA. This reflects a broader trend and investor preference for PTC over DA, given the availability of credit enhancement.



Securitisation continues to be an important funding pool for NBFC-MFIs. There has been a shift towards higher-rated PTCs (AA category) issued largely by better rated originators (A category and above).



Despite asset quality challenges being faced by the sector, ICRA-rated pools maintained healthy collection upwards of 90% due to selection of borrowers with repayment track record and having lower leverage. Also, investors continue to filter out loans from weaker performing areas.



The portfolio at risk (PAR) > 90 at industry level continues to be higher than the loss cum 90+ dpd (days past due) seen in live ICRA-rated PTCs, despite the elevated write-offs and sale of stressed portfolio undertaken by the NBFC-MFIs.



Geographical concentration in ICRA-evaluated pools had increased in FY2025; however, pools still continue to have healthy geographical diversification. Top three states of Bihar, Uttar Pradesh and Tamil Nadu (both in pool and portfolio) continue to see no major deterioration in asset quality.



Microfinance loan pool downgrades have historically been low; however, Q1 FY2026 saw one downgrade due to weak collections in two Karnataka districts with high pool level concentration. Share of Karnataka is lower in most ICRA-rated pools, which is a positive.

1 Microfinance securitisation volumes



2 Trends in microfinance securitisation



3 Investor trends



4 Portfolio vs pool performance



5 Factors supporting pool performance



6 Rating actions in microfinance pools





ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Manushree Saggar	Senior Vice-President & Group Head	manushrees@icraindia.com	0124 – 4545 316
Sachin Joglekar	Vice-President & Co-Group Head	sachin.joglekar@icraindia.com	022 – 6114 3470
Gaurav Mashalkar	Vice-President & Sector Head	gaurav.mashalkar@icraindia.com	022 – 6114 3431
Priya Gounder	Senior Analyst	priya.gounder@icraindia.com	022 – 6114 3450





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2025 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!