



CASE STUDY 27: INDIA – ICICI SECURISATION OF SHARE MICRO-CREDITS

Barriers	Lack of availability of micro credits for households
Instrument	Securitizing micro credits via partial payment risk guarantee
Application	n/a
Amount	US\$4.3 million

PROJECT BACKGROUND AND OBJECTIVES

The market for solar home system in India depends largely on the availability of micro credits to assist households with the co-financing of the investment in the systems. In 2004, ICICI, and Indian bank purchased a portfolio of 42,500 loans worth US\$4.3 million from SHARE, a leading micro finance institution. Grameen Foundation supported this transaction by providing on-going technical assistance and US\$325,000 as cash collateral deposit.

INSTRUMENTS USED

Micro finance loans to households to purchase SHS. The securitisation of these loans will not be asset backed; ICICI will have as collateral a “first loss” guarantee of an 8% deposit, which is provided by Grameen Foundation.

INSTITUTIONAL ARRANGEMENTS

ICICI provides the loans to households, and receive payments with SHARE acting as the collection agency.

OUTCOMES

This transaction benefits all parties. Households can obtain micro finance to purchase SHS, SHARE secures new source of funds at a cost 3-4% cheaper than normal bank loans, ICICI can reach borrowers while leaving the administration to SHARE, and Grameen sees its cash deposit multiply 12 folds in terms of loans to poor households.

Further reading

CGAP Microfinance Gateway, Grameen Foundation USA Announces Historic \$4.3 Million Securitization Deal in India, 2004 – click [here](#)