

REQUEST FOR PROPOSAL (RFP)

Pilot on incubating models of digital transactions for microfinance lending

1 About MFIN

Micro Finance Institutions Network (MFIN) is the self-regulatory organization (SRO) for the Indian microfinance industry. It was established in December 2009 with the sole purpose of promoting the key objectives of microfinance in India and establishing guidelines for responsible lending and client protection in the microfinance industry. Currently MFIN has 48 members NBFC-MFIs. MFIN works in areas of Advocacy, Self-Regulation and Development for the NBFC-MFIs industry. Please see www.mfinindia.org for further details about MFIN.

2 Background

In the Micro-lending space, cash still dominates the transactions at a customer level. Over the years, while microfinance lending has progressively moved towards non-cash disbursements such as pre-paid cards, bank transfers etc., this is predominantly in urban areas and peri urban India. In rural India, this remain a challenge. On the repayment side, cash is almost ubiquitous.

In the last few months, there has been greater recognition to directionally move customer transactions to cash-less/lite models. Several factors such as policy push towards DFS, scale of micro-credit lending, emerging risks associated with cash handling and evolution of wider eco-system around DFS among others, are creating the required impetus that is driving non-cash transactions models at a customer level. As a result, several pilots have been undertaken by individual lending institutions towards this.

A study titled “Study on adoption of cash lite models among MFIs in India”¹ was commissioned by MFIN which provides a compendium of different initiatives/experiments in DFS which have been undertaken by MFIs. The study shows potential of using cash lite models. However, based on evaluation of these models, it is quite evident that despite many individual efforts, there hasn’t been any concerted movement towards DFS frameworks. Most of these efforts are confined to small pilots which are still in an experimental stage as institutions try to freeze on an appropriate model which is beneficial to all stakeholders.

It is, therefore, felt that there is a need to accelerate and scale-up DFS in micro-lending. The proposed project aims at finding an appropriate model to provide a basic standard of digital engagement to facilitate cashless disbursement and collections. For this purpose, we require an agency which can support MFIN in successfully conducting pilots to test out models for digitizing disbursements and collections from microfinance clients, that are

¹http://mfinindia.org/wp-content/uploads/2017/08/Study_on_adoption_of_cash-lite_among_MFIs_in_India.pdf

- Cost effective (for the customer as well as the MFI)
- Can lead to a positive customer experience and hence demonstration for wider adoption and use
- Scalable and can effectively plug-in into the MFIs existing IT and MIS systems

It is expected that the lessons from the pilots would pave way for a nationwide roll out of the most appropriate model/s & establishment of an affordable and common platform which all MFIs can use for digitizing the disbursements and collections. It may be noteworthy to indicate the scale of operations of MFIs in India. At present 55% of the disbursements at MFIN member MFIs are in cashless mode and just 5% of the repayments are cashless. As per the latest data available of the 43 NBFC-MFIs (MFIN members) in India, they cater to 2.16 Cr clients across 30 states and Union Territories, through 8,948 branches with total loan amount outstanding of Rs 38,288 Cr.²

3 The project and terms of reference

In the background of above, we invite technical support agencies (TSAs) to implement the project in a timebound manner with an envisaged full scale roll out by the first week of October and end date of 31st October 2018. The following 3 major activities are to be undertaken in a phased manner:

- a) Phase 1: Ground work – Includes onboarding of project team, identifying partners (MFI, technology, banking and channel partners), designing models to be piloted, conducting base line study, training of MFI staff and channel partners on the proposed models and development of monitoring and reporting framework
- b) Phase 2: Execution of pilot – Includes roll-out, concurrent monitoring, client awareness training and support to the MFI team and channel partners
- c) Phase 3: Knowledge management – Includes gathering feedback from different stakeholders, documentation and dissemination of knowledge generated in the project

The pilot is expected to be conducted in partnership with three MFIs to test out two different models of cashless transactions (at each MFI). For testing out the models, a sample of branches need to be selected that are representative of the geographical diversity of MFI operations. The selection of the MFIs would be done by MFIN in mutual consultation with TSA. Before testing, the designs of the models will be vetted and approved by MFIN.

An important pre-testing activity would be the baseline survey of clients to capture their profile, requirements and preferences which would feed to the design of the models as well

²<http://mfinindia.org/resource-center/mfin-publications/>

as in assessing the efficacy and impact of the approaches at the end of the project through an evaluation of the pilot that would be conducted by an independent third party at the end of project timeline (to be identified by MFIN later). The TSA would be required to cover a specified percentage of clients per branch for baseline survey. As part of the model design and implementation, the TSA would be required to develop detailed process maps (Microsoft Visio based), purchase/upgrade hard-ware and software at MFI level/partner level as required and outline the sharing of the transaction cost at the client level (if at all) between MFIs and partners providing DFS services.

The other key activities are development of training material for project staff including MFI's branch staff, development of customer awareness training and communication materials for the clients and training of project staff and master trainers. It is estimated that a minimum of two training programmes for the staff would be required –(i) at the branch level of the selected branches and (ii) for the selected MFI staff for carrying forward the training activities post roll-out. In addition, training of a pool of Master Trainers will also have to be conducted to capacitate them for imparting the awareness generation training programme and other initiatives at the client level. Overall, the pilot should target a specified percentage of clients/beneficiaries in the catchment area (selected branches) of the concerned MFIs, through the two different models of cashless transactions.

It is essential that the pilot enables development of a common platform for cashless disbursements and specifically with a focus on cashless collections of microfinance loans, which is accessible to all MFIs irrespective of their size and at an affordable cost.

4 Reporting and deliverables

As mentioned above, the TSA will develop a reporting and monitoring framework based on the endline specified in Section 3, to inform MFIN on the progress of the pilot on a monthly basis, especially in the context of outreach to low income households across urban, peri urban and rural geographies. The TSA will facilitate the evaluation of the pilot by a 3rd party to be appointed by MFIN towards the end of the project. MFIN will also organize an end of the project workshop for dissemination of the pilot experience with key stakeholders in collaboration with the TSA. Apart from this, the following documents/reports need to be submitted to MFIN

- Baseline survey report
- Roll out kit for all levels who will be involved in implementation
- Implementation plan – including model designs with process maps and revenue sharing mechanism for two approaches to be tested and activity timelines
- Training material for project staff including MFI's branch staff
- Customer awareness training and communication materials for the clients
- Attendance records and participant feedback for trainings conducted for project staff as well as for client awareness generation programmes conducted by the Master Trainers.
- An end of the project report that includes (i) Complete process documentation for future dissemination, (ii) short-term and long-term implementation plan with

suitable value-added product that can be availed by MFIs at a later date and (iii) lessons learned.

5 Instructions for proposal submission

Consulting firm/s (individually or in consortium) are invited to submit proposals to function as a TSA for the various activities outlined in this RFP. The consultants will bear all costs related to development of the proposal and contract negotiations if selected. MFIN is not bound to accept any proposal and reserves the right to make any amendments to the selection process until it is awarded.

The consultants are required to submit only one proposal which will have two parts (A) Technical proposal and (B) Financial Proposal. Both proposals have to be submitted separately both in hard copy as well as electronically but in case of any difference the hard copy version will be considered as final. The technical and financial proposals should be in English. The proposal should clearly mention the name of the lead firm and the authorized representative who will be the sole point of contact for contract negotiations if selected.

One original and two copies of technical and an original copy of financial proposal should be sent to MFIN's address mentioned at the end of this document. The signed Technical and Financial Proposals shall be marked "Original". The cover letter should have the full original signature of the authorized representative and initials on all pages. The original and all copies of the Technical Proposal shall be placed in a sealed envelope clearly marked "Technical Proposal". Similarly, the Financial Proposal shall be placed in a separate sealed envelope clearly marked "Financial Proposal" with a warning "Do Not Open With The Technical Proposal." Both envelopes should be placed inside an outer envelope that shall bear the name of the assignment, the submission address and the contact details of the firm submitting the proposal. The proposals may be considered non-responsive if the envelopes are not properly sealed and marked as stipulated.

The electronic version should be single files named as [Name of the Lead Firm]-TechP and [Name of the Lead Firm]-FinP. The Technical Proposal must be submitted in Microsoft Word or PDF format and the Financial Proposal in Microsoft Excel format. The size of the files should not exceed 5 MB. The technical proposal should not contain any price related information. The financial proposal should be password protected and stored safely by the consultant/s only to be informed when asked by MFIN at the time of opening of financial bids. The electronic version of the proposals may have original, scanned or an electronic signature of the authorized representative on the cover letter and initials on all pages.

The **Technical Proposal** should have the following broad sections.

Section 1: Cover letter citing the consultant/s interest in participating in the bidding process and agreement to the selection criteria and process that would be adopted by MFIN. The letter should be on the letter head of the Lead Consultant firm and signed by an authorized representative.

Section 2: Consultant organisation and experience, describing a (A) brief profile of the lead firm and each associate firm for the assignment (maximum 2 pages for each firm) and (B)

consultants relevant experience highlighting specific expertise/suitability and project briefs of previous similar work undertaken relating to the various activities proposed for the assignment.

Section 3: Approach and methodology for carrying out various activities in each of the three phases

Section 4: Team composition and task assignment including (A) team structure, time (person days) and responsibility allocation and (B) work schedule and timelines for various activities and deliverables in tune with the project endline.

Section 5: Curriculum Vitae (CV) of the key staff to be engaged for the assignment. The CVs (maximum 5 pages per staff) must highlight qualifications, key skills, experience and suitability of the staff in relation to the role assigned to them (explained in Section 3).

The consulting firm/s should prepare a budget based on the proposed methodology and resources required for the assignment. The **Financial proposal** should be in Indian currency (INR) and include a summary of overall proposed budget and phase wise break-up (ground work, execution and knowledge management) of the following heads. The summary page should have the full signature of the authorized representative and initials on all pages.

Particular	Per Unit Rate	No. of units/ Person days	Amount (In Rs)
Head A: Direct Costs			
Hardware requirements Software development Training materials			
Head B: Travel Related Expense			
Flights/Rail to-from MFI HO/Branch Local travel at branch locations Accommodations/Allowances			
Head C: Salaries & Consultancy fees			
Project Manager Software developer			

Note: The breakups within the major heads are illustrative

6 Evaluation of the proposal and selection process

The technical proposal will be assessed by an evaluation committee for responsiveness to the terms of reference. The TSA must have sufficient experience and exposure to the financial services sector including operations of Microfinance Institutions. Also, the agency

must have deep understanding of digitization and payment space. The proposal should demonstrate the firm's experience and capacity to effectively undertake the project.

The evaluation committee may contact the consultant/s for clarifications related to the technical proposal and may also be asked to make a presentation (online or onsite as required). Each proposal will be provided a technical score by the evaluation committee based on the evaluation criteria shown in the table below. The minimum score for qualification for technical proposal is 75. Only proposals that achieve the minimum score will qualify for opening of the financial proposal.

	Evaluation criteria	Max score
1	Experience of the firm/consortium	20
1.1	Experience in working with MFIs in India	5
1.2	Demonstrated track record of experience related to specific activities as mentioned in the RFP	15
2	Adequacy of the proposed methodology	50
2.1	Technical approach and methodology	35
2.2	Suitability of timelines	5
2.3	Staffing (in terms of team structure and defined roles)	10
3	Key professional staff qualification and competence for the assignment	30
	Maximum technical score	100

For proposals that qualify for financial bid, a financial score will be calculated as explained below

- The lowest priced financial proposal will obtain the maximum financial score of 100 marks
- The financial score for other proposals will be proportional to the ratio of the lowest priced proposal to the financial proposal under consideration.

$$\text{Financial score of the proposal under consideration} = \frac{\text{Price of lowest priced financial proposal}}{\text{Price of financial proposal under consideration}} * 100$$

For assigning overall rank to the qualified proposals, a weightage of 70% will be applied to the technical score and 30% to the financial score to obtain a composite score for the proposal. The selection of the consultant/s (TSA) will be based on the highest composite score obtained on technical and financial proposals.

$$\text{Composite Score} = \text{Technical Score} * 70\% + \text{Financial Score} * 30\%$$

The selected consultant/s will be invited to MFIN for negotiations followed by the contracting process for beginning work on the project. It is expected that the evaluation

process will be completed by end-December 2017 and the pilot implementation will commence from January 2017.

The hard copy of the proposal should be sent to the following address

Amit Mathur
AVP – Development and Information Hub
Microfinance Institutions Network (MFIN)
4-003,4-004,4th Floor,Emaar Palm Spring Plaza
Golf Course Road,Sector-54, Gurgaon, Haryana, India

The electronic version can be sent by email to amitmathur@mfinindia.org and infohub@mfinindia.org

The due date for submission is **10 December 2017(5 PM India time)** and the electronic version must be received before the specified time and date.