

Request for Proposal (RFP)

Empanelment of Agencies for Third Party Evaluation of Customer Service Index (CSI)

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1. Introduction

Microfinance Institutions Network (MFIN) is the Self-Regulatory Organization (SRO) for the NBFC-MFI sector recognized by the Reserve Bank of India (RBI). Under its SRO mandate, MFIN's endeavour is to support and ensure that its member NBFC-MFIs conform to highest standards of compliances with respect to RBI regulations, Industry Code of Conduct (CoC) and other Directives/Advisories issued by the MFIN from time to time. For more information <http://mfinindia.org/>

Currently 47 MFIN member NBFC-MFIs, provide micro-credit to over 2 Cr low-income women customers with a total outstanding of Rs 48,000 Cr. Delivery of micro-credit is channelled in a highly disaggregated model consisting of over 10,000 branches and 82,000 employees in more than 500 districts across 30 states/UTs.

Given their educational-social-economic background, customers of the NBFC-MFIs, many times, lack adequate information and skill-set to a) take right decision about the financial products offered to them and b) understand their obligations and rights as customer vis a vis lender

In this context, NBFC-MFIs presume the greater responsibility to ensure the customer protection within the framework provided under RBI Regulations (Master Directions for NBFC-MFIs, Fair Practices Code), Industry Code of Conduct (CoC) and MFIN Directives/Advisories. This among other things include, disclosure/education, pricing of the credit (as per regulations), addressing multiple/over lending, appropriate behaviour and grievance redressal system to customers. And NBFC-MFIs through its myriad policies, systems and processes ensure that customer interests are protected.

MFIN's Customer Service Index (Annex) is a tool to measure NBFC-MFI's focus (in its policies, systems and process) on customer service (i.e. customer protection) under six broad categories as under:

1. Policy Framework
2. Employee Orientation
3. Information/Awareness to Customers
4. Loan Processes
5. Grievance Redressal for Customers
6. Monitoring

CSI's on-line tool is first used by NBFC-MFIs to self-assess the company. This is followed by an on-site evaluation of the company on CSI by independent agencies (empanelled by MFIN), called Third Party Evaluation (TPE). All TPE are conducted on a standard methodology (in terms of indicators to be evaluated, sample size, selection, guidance on scoring, questionnaires, report format etc) provided by MFIN to the empanelled agencies¹.

This RFP is for the empanelment of the agencies to conduct TPE of MFIN member NBFC-MFIs.

2. Scope

Scope of the TPE will include the following:

- a. Assess company policies, systems and process on CSI parameters:
 - **Off-site:** Study of website, policy documents, product description, annual report, rating reports, data provided by MFIN etc

¹ Details of the methodology will be shared with the selected agencies at the time of empanelment

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- **On-site:** Review of the policies, documents, procedures, reports, minutes, loan documents, covering Head Office, Branches, Centres/Groups/Customer and interact with relevant teams (Senior Management/Branch staff) and customers
- b. Record evidence (conformities and as well as deviations) for all the parameters in support of the score/observation made
- c. Evaluate CSI score for the company based on above assessment
- d. Draft report capturing CSI score, gaps/challenges, good practices and recommendations (if any)
- e. Maintain confidentiality in the exercise of this function²

Each TPE will be broadly structured around following activities and timelines as under:

Sl no	Activity	Timeline	Timelines
1	Off-site review of company policies/documents (made available by the company/MFIN)	1 day	1 st week
2	On-site (Interaction in Head Office with relevant Senior Management)	1 day	1 st week
3	On-site (Visit to Branches/Groups, tentatively 3 branches/9 groups)	3-4 days	1 st week
4	Draft report (CSI score, gaps/challenges and good practices) This needs to be sent to the company for comments and additional information if required, particularly for non-compliances/gaps if an.	2 days	2 nd week
5	Finalize the report (incorporating company response, comments) and send to MFIN	1 day	3/4 th week

Every empanelled agency will be tentatively given 10 TPEs to during 9-month period (1st Aug 18 – 1st June 2019). However, exact number of TPEs may change and will be agreed at the time of signing of the contract.

3. Proposal

All interested agencies are requested to submit their proposals capturing the following:

- a. Understanding of the requirement and demonstrable capacity to effectively undertake the TPE
- b. Previous experience in conducting evaluations/related work area
- c. Experience and knowledge of microfinance sector
- d. Brief CV of the key personnel proposed to be associated the assignment
- e. List of clients for reference
- f. Commercial with a detailed break-up of different components including personnel costs, person days, travels/logistics, administrative expenses etc.

4. Submission

Please send in your proposals to jaytripathi@mfinindia.org and sankalptripathi@mfinindia.org by 16th June 2018 mentioning "Proposal for TPE" in the subject line.

MFIN will evaluate all the proposals. We may contact vendors in case of clarifications, if required. The short-listed companies may be required to make a presentation at MFIN's office in Gurgaon.

² Empanelled agencies will be required to sign a non-disclosure agreement with MFIN

5. Annex:
Customer Service Index

	Indicators	1	2	3	4	5	6	7	Max score	Scoring
A	Policy Framework									
1	Company has Fair Practices Code (FPC), approved by the Board which is fully aligned with RBI's Fair Practice Code	No	Yes						1.0	No=0 Yes=1
2	Company's policy for loan product development factors for the following	Safeguard customer interests with respect to suitability and affordability	Compliance with Regulations/CoC/FPC					None of these	2.0	None of these=0 For all other options: 1.0 each
3	Company has a policy for Board review/approval for new loan products and changes in the existing loan products	No	Yes						1.0	No=0 Yes=1
4	Company has a policy, approved by the Board, to avoid multiple/over lending which is aligned with the RBI and MFIN directions on the following	Number of lenders per customer	Total indebtedness per customer					None of these	2.0	None of these=0 For all other options: 1.0 each
5	Company has internal exposure limits, approved by the Board, to avoid any undesirable geographical concentration	No	Yes						2.0	No=0 Yes=2
6	Company has a policy on pricing, approved by the Board, to ensure the customers are only charged processing fees, interest charges and insurance premium as per RBI Directions on pricing	No	Yes						1.0	No=0 Yes=1
7	Company ensures that the interest charged to the customers is in compliance with RBI Directions on pricing	No	Yes						2.0	No=0 Yes=2
8	Company ensures that 85% of the net assets are in the nature of "qualifying assets"	No	Yes						1.0	No=0 Yes=1
9	Company does periodic Board/Management review of following loan documents					Loan Agreement	Loan Card	None of these	1.0	None of these=0 For all other options: 0.5 each
10	Company has curative debt restructuring policy, approved by the Board, to address the problems of genuine hardship of customers	No	Yes						1.0	No=0 Yes=1
11	Company has a Customer Grievance Redressal Mechanism (CGRM) policy approved by the Board	No	Yes						1.0	No=0 Yes=1
12	Company has Customer Grievance Redressal Mechanism (CGRM) policy that includes the following	Process of registering complaints	Escalation mechanism	Turn around time (TAT) for different category of complaints	Reporting to Management and Board			None of these	2.0	None of these=0 For every other option: 0.5
13	Company's policy on employee performance assessment includes compliance with the RBI Directions/FPC/CoC	No	Yes						2.0	No=0 Yes=2

	Indicators	1	2	3	4	5	6	7	Max score	Scoring
B	Employee Orientation									
14	Company conducts trainings for the employees which includes the following	Customer Protection Guidelines (CPG) of Industry CoC and Fair Practices Code (FPC)	Appropriate behaviour towards customers	Appropriate recovery practises	Protection of customer's personal and financial information	Assessment of customer's income, cash flows and indebtedness	Customer Grievance Redressal Mechanism (CGRM)	None of these	3.0	None of these=0 For every other option: 0.5 each
15	Company has a process to periodically review and assess employees understanding and awareness on the following	Customer Protection Principles (CPP) of Industry CoC and Fair Practices Code (FPC)	Appropriate behaviour towards customers	Appropriate recovery practises	Protection of customer's personal and financial information	Assessment of customer's income, cash flows and indebtedness	Customer Grievance Redressal Mechanism (CGRM)	None of these	3.0	None of these=0 For every other option: 0.5 each
16	Company has provision to penalize the employee for the following	Inappropriate behaviour towards customers	Inappropriate recovery practices with customers	Misuse of customer's personal and financial					3.0	None of these=0 For all other option: 1.0 each
C	Information/Awareness to Customers									
17	Company displays the Client Protection guidelines (CPG) of Industry Code of Conduct (CoC)			Branch (in vernacular)				Not displayed	0.5	Not displayed=0 For every other option= 0.5
18	Company displays the Fair Practices Code (FPC) of the company fully aligned with RBI Guidelines on FPC		Website	Branch (in vernacular)				Not displayed	0.5	Not displayed=0 For every other option= 0.25
19	Company displays the details of all loan products offered									
i	Amounts		Website	Branch				Not displayed	0.5	Not displayed=0 For every other option= 0.25
ii	Annualised interest rate on a reducing balance basis		Website	Branch				Not displayed	0.5	Not displayed=0 For every other option= 0.25
iii	Processing fees		Website	Branch				Not displayed	0.5	Not displayed=0 For every other option= 0.25
iv	Tenure		Website	Branch				Not displayed	0.5	Not displayed=0 For every other option= 0.25
v	Repayment frequency		Website	Branch				Not displayed	0.5	Not displayed=0 For every other option= 0.25
vi	Purpose		Website	Branch				Not displayed	0.5	Not displayed=0 For every other option= 0.25
20	Company states that no security deposit / margin/ other charges are collected from the customer by itself or by third parties as a condition to avail the loan					Loan Agreement (in vernacular)	Loan Card (in vernacular)	Not displayed	1.0	Not displayed=0 For every other option= 0.5
21	Company states that grant of loan is not linked to any other product /services offered by the company or third party					Loan Agreement (in vernacular)	Loan Card (in vernacular)	Not displayed	1.0	Not displayed=0 For every other option= 0.5
22	Company states that pricing of loan involves only three components viz; interest charge, processing charge and insurance premium (which includes administrative charges in respect thereof)			Branch (in vernacular)		Loan Agreement (in vernacular)	Loan Card (in vernacular)	Not displayed	1.5	Not displayed=0 For every other option= 0.5
23	Company states that no penalty is charged on delayed payment					Loan Agreement (in vernacular)	Loan Card (in vernacular)	Not displayed	1.0	Not displayed=0 For every other option= 0.5
24	Company states that the moratorium (between the grant of the loan and the due date of the repayment of the first instalment) is not less than the frequency of repayment					Loan Agreement (in vernacular)		Not displayed	1.0	Not displayed=0 For every other option= 1.0
25	Company displays all terms and conditions attached to the loan					Loan Agreement (in vernacular)	Loan Card (in vernacular)	Not displayed	1.0	Not displayed=0 For every other option= 0.5

	Indicators	1	2	3	4	5	6	7	Max score	Scoring
26	Company displays the Customer Grievance Redressal Mechanism (CGRM) of the company including the following:									
i	Channels available to customers at the company level to register complaints		Website	Branch (in vernacular)				Not displayed	1.0	Not displayed=0 For every other option= 0.5
ii	Escalation process including MFIN and RBI		Website	Branch (in vernacular)				Not displayed	1.0	Not displayed=0 For every other option= 0.5
iii	Expected Turn around time at every level of escalation		Website	Branch (in vernacular)				Not displayed	1.0	Not displayed=0 For every other option= 0.5
iv	Displays the company's CGRM number and contact details of company's Customer Grievance Redressal Officer		Website	Branch (in vernacular)			Loan Card (in vernacular)	Not displayed	1.5	Not displayed=0 For every other option= 0.5
v	Displays the MFIN CGRM number to escalate complaints		Website	Branch			Loan Card (in vernacular)	Not displayed	1.5	Not displayed=0 For every other option= 0.5
vi	Displays the contact details of DNBS, Regional RBI Office (where company is registered) to escalate complaints		Website	Branch (in vernacular)			Loan Card (in vernacular)	Not displayed	1.5	Not displayed=0 For every other option= 0.5
27	Company states that privacy of customer data will be respected and that no customer data will be shared with any third party without taking customer consent unless required by regulations					Loan Agreement (in vernacular)		Not displayed	0.5	Not displayed=0 For every other option= 0.5
28	Company states commitment to transparency and fair lending practices as prescribed by RBI			Branch (in vernacular)		Loan Agreement (in vernacular)	Loan Card (in vernacular)	Not displayed	1.5	Not displayed=0 For every other option= 0.5
29	Company states the company will be accountable for preventing inappropriate employee behaviour and timely grievance redressal			Branch (in vernacular)		Loan Agreement (in vernacular)		Not displayed	1.0	Not displayed=0 For every other option= 0.5
30	Company trains/educates customers on financial literacy components on the following	Credit discipline	Repayment capacity	Inconspicuous loan	Product details	Pricing (annualised interest rate on a reducing balance	CGRM	None of these	1.5	None of these=0 For every other option= 0.25
31	Company charges customers for training related to financial literacy	No	Yes						1.0	No=1 Yes=0

	Indicators	1	2	3	4	5	6	7	Max score	Scoring
D	Loan Processes									
D1	Application									
32	Company's loan application captures the following details of the product being offered to the customer	Amounts	Annualised interest rate on a reducing balance basis	Processing fees	Tenure	Repayment frequency	Purpose	None of these	3.0	None of these=0 For every other option= 0.5
33	Company provides loan application to the customers capturing	List of KYC documents to be submitted by customers	KYC information accurately and in line with RBI/MFIN KYC standards	Consent to share customer's data with credit information companies (CICs)	States other terms and conditions of the loan			None of these	2.0	None of these=0 For every other option= 0.5
34	Company provides written acknowledgement to the customer on receipt of the loan application	No	Yes						1.0	No=0 Yes=1
35	Company's written acknowledgement provided to the customers captures the following	Time frame within which loan applications will be disposed	CGRM number of the company					None of these	1.0	None of these=0 For every other option= 0.5
D2	Processing									
36	Company documents the due-diligence conducted for customers factoring the following:	Cash flows	Existing total indebtedness	Number of lenders	Past records of repayment			None of these	2.0	None of these=0 For every other option= 0.5
37	Company uses Credit Information Report (CIR) which is not older than 15 calendar days from disbursement date for every loan disbursed irrespective of its type	No	Yes						1.0	No=0 Yes=1
D3	Sanction/Disbursements/Repayments									
38	Company discloses the reasons for rejection to the customer in case the loan is not sanctioned against an accepted application	No	Yes						1.0	No=0 Yes=1
39	Company disburses loan to customer only at a central location (centre meeting/branch office) in case of cash disbursement	No	Yes					Not applicable for cashless disbursement	1.0	No=0 Yes/Not applicable =1
40	Company provides loan agreement/sanction letter to the customers capturing the following	Amount of loan sanctioned	Annualised rate of interest on a reducing balance basis					Does not provide	1.0	Does not provide=0 For every other option=0.5
41	Company provides a copy of loan agreement to customer in language understood by them, for each loan disbursed, stating all terms and conditions of the loan	No	Yes						1.0	No=0 Yes=1
42	Company provides loan card to customers in vernacular language for each loan disbursed which displays key terms and conditions of the loan	No	Yes						1.0	No=0 Yes=1
43	Company records all repayments received and the final discharge in loan card	No	Yes						1.0	No=0 Yes=1
44	Company collects cash repayments only at a pre-decided central designated place (centre meeting)	No	Yes						1.0	No=0 Yes=1
45	Company ensures that field employee goes for collecting repayment at the place of residence or work place of the customer only if customer fails to appear at central designated place on 2 or more successive occasions	No	Yes						1.0	No=0 Yes=1
46	Company ensures that loan repayments is only collected by own employees and outsourced recovery agents are not used for collection in sensitive areas	No	Yes						1.0	No=0 Yes=1
47	Company updates customer data to CICs as per MFIN credit bureau standards (monthly and weekly submission)	No	Yes						1.0	No=0 Yes=2

	Indicators	1	2	3	4	5	6	7	Max score	Scoring
E	Grievance Redressal for Customers									
48	Company has a dedicated phone number to register complaints	No	Yes						2.0	No=0 Yes=2
49	Company has a Customer Grievance Redressal Officer	No	Yes						1.0	No=0 Yes=1
50	Company has CGRM with at least 2 levels of escalation protocol	No	Yes						1.0	No=0 Yes=1
51	Company records every complaint received in a central database for all available channels	Field (centre/branch)	Head Office					Not Recorded	2.0	No recorded=0 For every other option=1
52	Company provides an acknowledgement number to customer for every complaint received	No	Yes						1.5	No=0 Yes=1.5
53	Company records individual and aggregate level data for CGRM capturing the following	Customer Details	Nature/category of complaint	Action taken	Turn around time (TAT)	Customer feedback on resolution		None of these	2.5	None of these=0 For every other option=0.5
54	Company does outbound calls to all complainants to capture her satisfaction with resolution	No	Yes						2.0	No=0 Yes=2
F	Monitoring									
55	Company under internal audit, checks the compliances of disclosure requirements to customers on a sample basis for the following		Branches	Loan Application	Loan Agreement/Loan Sanction letter	Loan Card		None of these	2.0	None of these=0 For every other option=0.5
56	Company under internal audit checks the level of awareness about products amongst the customers on a sample basis	Interest rate, processing fees and insurance premium	Tenure	Repayment schedule				None of these	3.0	None of these=0 For every other option=1
57	Company under internal audit check the compliance with KYC requirement on a sample basis	No	Yes						2.0	No=0 Yes=2
58	Company under internal audit checks that valid credit information reports (CIR) are used for credit appraisal on a sample basis	No	Yes						2.0	No=0 Yes=2
59	Company under internal audit checks the CGRM system on the following	Whether all complaints are recorded	Complaints are categorized as per company policy	Turn around Time for the resolutions are adhered to	Resolution of complaints	Customer satisfaction with the resolution provided		No of these	2.5	None of these=0 For every other option=0.5
60	Company under internal audit checks the IT systems for safety and security of customer data	No	Yes						2.0	No=0 Yes=2
61	Company Board reviews the periodic reports on compliance with RBI Directions/Fair Practices Code and Industry CoC sent by the management	No	Yes						2.0	No=0 Yes=2
62	Company Board receives periodic reports on CGRM from the management	No	Yes						1.0	No=0 Yes=1