

REQUEST FOR PROPOSAL (RFP)

Establishment and Operationalization of an “Online MFIN Information Sharing Platform”

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 55-member NBFC-MFIs whose combined business constitutes about 80% of the NBFC MFI’s microfinance sector in India. 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

The NBFC-MFIs are a separate sub-category of NBFCs regulated by RBI for providing access to finance to the low-income households. As a dedicated credit delivery channel for vast un-banked/under-banked segments, NBFC-MFIs have been playing a significant role in taking forward the Financial Inclusion agenda of the Government of India. What sets NBFC-MFIs apart is the fact that they do not depend on grants or subsidies to provide unsecured loans to people with low incomes and no/limited access to the banking system. Instead, they have used market-oriented solutions that encourage self-reliance and entrepreneurship amongst its clients. As on March 2020, MFIN member NBFC-MFIs have an outreach of 2.89 Cr unique clients with an outstanding loan portfolio of Rs 73,792 crores¹, with operations across 599 districts in 36 states and union territories.

The NBFC-MFIs are largely dependent on wholesale borrowings from banks/other financial institutions at commercial rates and equity to finance and grow their portfolio. As per the data available for MFIN members which form around 92% of the NBFC-MFI universe in terms of loan portfolio, debt contributed around 77% and equity around 23% of the total sources of funds (as on March 2020)¹. However, for small size MFIs² the contribution of debt falls to around 70%. Moreover, the major portion (~86% for Small and ~77% for Medium) of lending for small and medium MFIs comes from non-Bank sources, which are costlier. Bank credit which is a preferred source due to comparatively lower price, is not easily accessible by the small and medium MFIs.

While negotiating with institutional lenders for debt is a major ongoing activity for all MFIs, the small and medium MFIs face a lot of challenge in sourcing it, mainly because of smaller economies of scale. As has been observed, large MFIs have a specialized talent pool which is exclusively dedicated to investor relations. However, for Small and Medium MFIs hiring and maintaining a team of specialists for investor relation is unviable. As a result, access to information as basic as investors active in the microfinance space is sometimes not fully known to smaller players. On the other side most investors and lenders mainly get to know about large entities and the good work of smaller entities doesn’t reach the investors to generate sufficient interest which can culminate into a lending decision.

¹ “Micrometer” March 2020

² MFIN has categorized its members into small (< Rs 100 Cr), medium (Rs 100 to 500 Cr) and large (>Rs 500 Cr) in terms of their loan portfolios.

In addition, in order to leverage debt, the MFIs also need to be sufficiently capitalised with timely inflow of equity investments which is also a challenge for the small and medium MFIs. The small and medium NBFC-MFIs are a crucial segment catering to 3.5 million clients - directly impacting ~15 million lives. In terms of numbers, 32 out of 55 MFIN members are in the small and medium category with portfolios <Rs 500 Cr. More importantly, the small and medium MFIs are the future the sector and it is essential to help them grow sustainably so that they can contribute to furthering the financial inclusion vision of MFIN.

Therefore, to support the small and medium NBFC-MFIs, MFIN plans to facilitate the establishment and operationalisation of an “Online Information Sharing Platform” in partnership with an interested firm with expertise in building such a technology platform. This being an important microfinance sector development initiative of MFIN, it also encourages and expects the donor community including bi-lateral & multilateral agencies and development financial institutions (DFIs) to support it.

3 Terms of Reference

The proposed Information Sharing Platform is expected to assist MFIN member MFIs (Small and Medium) in putting together their profiles on the platform. These profiles would be a combination of quantitative and qualitative information sets. Based on this, the information platform should include institutional dashboards of MFIs which will be available for view to the lenders and investors. The Information Sharing Platform would be hosted on MFIN’s website in a special section and managed by the partner firm. This section will be a **co-branded space of MFIN** and the **Partner Agency** for the period specified in a contract between MFIN and selected partner agency, and will provide login-based access to investors and lenders (investor group) and MFIN members (originator group). Both groups shall have different dashboards and User Interface on view in the system, based on their login credentials. MFIN will facilitate the onboarding of the originators on the Information Sharing Platform while the partner agency will ensure onboarding of potential lenders/investors. Ownership of the platform shall remain with MFIN.

The **broad objectives** of the “Information Sharing Platform” and the **expectations from the partner agency** are to

- (a) Develop an online login-based platform where small and medium MFIN member MFIs can maintain/update their operational and financial data in a standardized manner as required by lenders/investors
- (b) Enable small and medium MFIs to showcase qualitative aspects of their operations like their local knowledge & expertise, CSR activities that they conduct for awareness generation and for strengthening their relationships with clients etc.
- (c) Assist the MFIs in uploading and updating data on a quarterly basis or lower frequency as required
- (d) Enable onboarding of potential lenders and investors (with proper background and reference checks) including high networth individuals (HNIs) on the same platform along with their profiles and exposure details in the microfinance sector
- (e) Create intelligent dashboards for both member MFIs as well as of lenders/investors in a standard format for quick access/view by the other (however, details of one MFI or investor/lender should not be accessible by the other counterparts). The dashboard should include comparison functionality between MFIs based on similarities such as size, area of operations, RoA and other factors as deemed suitable.
- (f) Develop lenders’ & investors’ profile by compile of information about lenders and investors active and/ or willing to invest in the sector and their preferences (Geographical or otherwise)
- (g) Create functionality for connect between MFIs and lender/investor if there is mutual interest and also with the partner agency
- (h) Any other feature which might be useful for the platform

4 Guideline for submission of proposal

Interested firm/s are invited to submit proposals for establishment and operationalization of an “MFIN Information Sharing Platform”. The firm/s will bear all costs related to development of the proposal and completing contractual obligations 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 proposal should clearly mention the name of the firm and the authorized representative who will be the sole point of contact if selected.

The technical proposal (in MS Word or PDF format) should be in English and submitted electronically to Mr Amit Mathur at amitmathur@mfinindia.org. The **email subject** should mention “Name of the Firm: Proposal for Information Sharing Platform”. The proposal should include the following sections

- **Section 1:** Brief organisational profile (highlighting institutional type, core activities/business etc.)
- **Section 2:** Expertise in creating, hosting and managing online solutions for connecting the loan originators with debt/equity investors.
- **Section 3:** Design, operationalisation plan and the features to be provided for the Information Sharing Platform. This should include resource commitment from the partner firm for operationalising the platform, timeframe in which the platform will be made operational and additional services that could be offered on the platform. The section should also elaborate the technical requirement for hosting and compatibility with existing MFIN website.
- **Section 4:** Break-down of the budget for one-time development cost of the platform plus a revenue model for managing the recurring costs for the platform and resource requirements.

Firm/s interested to submit their proposals can ask for clarifications on the RFP, if any, up to August 28, 2020 on the above mentioned email Id.

The last date for submission of the proposal is **September 20, 2020, 5 p.m. IST.**

5 Budget and time period

The maximum budget available with MFIN for development of the Information Sharing Platform is **Rs 10 lakhs, inclusive of all taxes**. The payment schedule will be decided at the time of signing of contract between MFIN and the selected partner agency.

The partner agency would be initially onboarded for a period of one year and thereafter it would be extended/renewed based on performance of the agency in terms of making the platform a high utility tool for small and medium MFIs.

6 Selection process

The technical proposal will be evaluated by **Small and Medium MFI Task Force** of MFIN. The firm should have sufficient experience and exposure to the financial services sector including operations of Microfinance Institutions. The proposal should demonstrate the firm’s experience and capacity to effectively establish and operationalise similar technology platform.

The proposal shall be evaluated based on following parameters and weightage;

Parameters	Weightage
Relevant experience and expertise of organisation	15%
Ability to attract/engage with investors to facilitate and conclude debt/equity deals	25%
Design and features of the information Sharing Platform and operationalisation plan	25%
Break-down of budget for one-time development cost of the online information platform and a revenue model for managing recurring costs	35%
Total	100%

The overall selection process shall be completed within a month of receiving the proposal. The Top 2-3 firms may be invited by the Small and Medium Task Force for presenting the operational plan for final selection.