



Technical Assistance Report

Project Number: 49324-001
Capacity Development Technical Assistance (CDTA)
July 2016

India: Strengthening Financial Inclusion through Responsible Finance Practices (Cofinanced by the Financial Sector Development Partnership Special Fund)

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 3 June 2016)

Currency unit	–	Indian rupee/s (Re/Rs)
Re1.00	=	\$0.0148648930
\$1.00	=	Rs67.272600

ABBREVIATIONS

ADB	–	Asian Development Bank
MFI	–	microfinance institution
MFIN	–	Microfinance Institutions Network
MFP	–	Microfinance Risk Participation and Guarantee Program
NBFC	–	nonbanking financial company
PFI	–	partner financial institution
RBI	–	Reserve Bank of India
TA	–	technical assistance
TOR	–	terms of reference

NOTE

In this report, “\$” refers to US dollars.

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CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 49324-001	
Project Name	Strengthening Financial Inclusion Through Responsible Finance Practices	Department /Division	PSOD/PSFI
Country	India	Executing Agency	Asian Development Bank
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Finance	Inclusive finance		0.75
		Total	0.75
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Effective gender mainstreaming (EGM) ✓	
Knowledge solutions (KNS)	Knowledge sharing activities		
Partnerships (PAR)	Bilateral institutions (not client government)		
Private sector development (PSD)	Official cofinancing Promotion of private sector investment		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.75	
Capacity development technical assistance: Technical Assistance Special Fund		0.50	
Capacity development technical assistance: Financial Sector Development Partnership Special Fund		0.25	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.75	

I. INTRODUCTION

1. Strengthening the microfinance industry to advance financial inclusion is a key component of Strategy 2020 of the Asian Development Bank (ADB), and aligns with India's National Financial Inclusion Strategy and the priority sector guidelines of the Reserve Bank of India (RBI).¹

2. In 2010, ADB developed the regional Microfinance Risk Participation and Guarantee Program (MFP) to encourage international and domestic financial institutions to increase local currency lending to microfinance institutions (MFIs) through risk participation and guarantee arrangements. As of 30 April 2016, 16 Indian MFIs had received assistance under the MFP, supporting more than 2 million borrowers, primarily women in rural areas. However, a large number of smaller MFIs still need institutional strengthening support to grow sustainably, provide responsible financial services to the poor, and access commercial local funding.

3. The Technical Assistance (TA) will address sustainable growth in the microfinance industry, including concerns regarding overindebtedness and consumer protection of clients and potential clients, who are mostly based in rural areas and typically have low financial literacy and capacity. It will support partner MFIs in managing their growth responsibly by providing capacity building related to but not limited to consumer protection, risk management, governance, internal controls, and credit processes. The TA will also build the financial capabilities of MFI clients and develop knowledge products and impact stories that can be disseminated for the benefit of nonparticipating MFIs.

4. The TA was discussed with MFIs, microfinance networks, and partner financial institutions (PFIs). The design and monitoring framework is in Appendix 1.²

II. ISSUES

5. Since 2010, the RBI has introduced measures to mitigate risk and improve MFIs' business practices, such as anti-money laundering and know your customer guidelines, the Fair Practices Code, and regulations on pricing of credit.³ Obligatory reporting to the credit bureaus and linking clients to the Aadhaar cards provide important information on clients' borrowing to prevent overindebtedness.⁴ The industry has also strengthened self-regulation through the Microfinance Institutions Network (MFIN).⁵ Implementing these measures has helped restore confidence in the sector and increase funding from banks and other financial institutions since 2013. This is critical since MFIs are non-deposit taking. Access to finance in India is improving

¹ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila; Government of India, Ministry of Finance, Department of Financial Services. 2014. *Pradhan Jan-Dhan Yojana: A National Mission on Financial Inclusion*. Delhi. <http://financialservices.gov.in/banking/PMJDY%20BROCHURE%20Eng.pdf>; and RBI. Master Circular-Priority Sector Lending-Targets and Classification. https://rbi.org.in/scripts/BS_ViewMasCircularDetails.aspx?id=9857

² The TA first appeared in the business opportunities section of ADB's website on 7 June 2016.

³ RBI. Master Circular-'Know Your Customer' (KYC) Guidelines-Anti Money Laundering Standards (AML)-'Prevention of Money Laundering Act, 2002-Obligations of NBFCs in terms of Rules notified thereunder.' <https://rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=9914>; RBI. Master Circular-Fair Practices Code. <https://rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=9823>; and RBI. Master Circular-'Non-Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs)-Directions. https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=9827

⁴ Government of India, Unique Identification Authority of India. *Aapka Aadhaar*. <https://uidai.gov.in/aapka-aadhaar.html>. A client cannot obtain more than two loans in total, whether they are from one or two MFIs.

⁵ MFIN is recognized by RBI as the industry's self-regulatory body and ensures responsible lending and client protection among NBFC-MFIs. <http://mfinindia.org>

through various government initiatives⁶ and increased private sector lending, but it remains constrained, particularly for underserved segments. Access to credit is even more limited, with less than 14% of borrowers accessing credit through formal channels.⁷ As a result of these initiatives and high demand, new MFIs are being launched and existing MFIs are expanding geographic coverage.

6. A total of 69 licensed nonbanking financial company (NBFC)–MFIs were registered with the RBI as of November 2015.⁸ As of December 2015, the gross loan portfolio of the industry was Rs423.31 billion, representing 84% growth from the previous year. The industry services about 28.8 million clients in 30 states across the country.⁹ According to industry reports, microfinance lending is used for agriculture activities (33%); non-agriculture (service, trade, and manufacturing—42%); and household finance (education, home improvement, and other household finance—25%) (footnote 9). The average loan size is Rs14,685. More than 95% of clients and borrowers are women, reflecting the significant gender aspect in microfinance. Funding totaling Rs276.82 billion as of December 2015 facilitated strong growth in the industry, which is quite concentrated, with the 10 largest MFIs comprising 72% of assets. These MFIs also receive the majority of funding (77%), while small and medium-sized MFIs face difficulties in accessing funding for growth and expansion. Commercial, local currency funding will be necessary to increase access to credit and other services through formal channels.

7. While the industry has experienced impressive growth in 2014 – 2015 and remains quite dynamic (enabled through a sound regulatory environment, new business models, and innovative technologies), these achievements do not come without challenges. MFI penetration, for example in south India, has been increasing, especially since many MFIs are broadening their branch network to cover more geographic locations across the country, which could result in geographical overlapping of some MFIs.¹⁰ The impressive growth rates and ambitious expansion plans need to be managed well to ensure MFIs can continue to provide responsible financial services and manage growth sustainably. It requires institutional and management capacities to implement new business plans; establish strong processes; train front-end staff on new requirements, products, and procedures; make use of suitable technologies to operate efficiently; and manage and monitor resulting risks. Risk management will become crucial, especially among the smaller and younger MFIs. Capacity development across operational, market, and liquidity issues will be important for these MFIs to implement realistic business plans, maintain good portfolio quality, and manage liquidity risks. By strengthening these areas, a broader set of MFIs will be able to obtain funding for growth, responsibly reach more underserved customers, and introduce responsible yet innovative products.

⁶ Among others, the Government of India launched a highly successful program to open bank accounts for the unbanked (Pradhan Mantri Jan-Dhan Yojana). As of March 2016, more than 214 million accounts had been opened under the scheme. During TA implementation, where suitable, TA activities will be designed to complement or be linked to government programs to ensure benefits for clients.

⁷ World Bank. The Global Findex Database 2014. <http://www.worldbank.org/en/programs/globalfindex> (accessed 2 June 2016). Of people who had borrowed money in 2014, 27% borrowed from private moneylenders and the rest borrowed from family or friends.

⁸ RBI. Non Banking Financial Companies (NBFCs). https://rbi.org.in/scripts/BS_NBFCList.aspx (accessed 2 June 2016). The total number of MFIs is anticipated to be more than 3,000, many of which are not licensed or operate as a society, trust, section 25 company (a type of nonprofit company), or cooperative.

⁹ MFIN. Micrometer (data as of 31st Dec 2015). Haryana. http://mfinindia.org/wp-content/uploads/2016/03/Micrometer-Issue-16_Q3-FY-15-16_19th-Feb-2016_for-dissemination-among-members.pdf (accessed 2 June 2016).

¹⁰ Previously, MFIs were state or regionally focused.

8. Ensuring that MFIs provide responsible financial services and that clients have the financial capability to understand product features and the responsibilities that come with financial services will be equally important, especially since MFI clients are typically from the large, often poor, and underserved segments of the population. The geographical expansion of some MFIs makes it easier for clients to choose their financial services provider or obtain products beyond the traditional short-term small loan. Many MFIs have started to increase their loan ticket size in line with RBI guidelines. Consumer protection has been given much more importance with the establishment of a framework in the RBI's Fair Practices Code. However, while many MFIs are committed to consumer protection, smaller ones often lack the knowledge and/or resources to put such principles in place, so implementation can be slow.

9. While MFIs try to meet clients' needs with new products, this does not automatically translate into effective use. The introduction and use of new technologies, such as mobile phone banking or agent banking, have created some institutional efficiency gains at MFIs. However, the use of agents also leapfrogs the step of interacting with a physical bank branch (or center meetings) and makes the integration of the previously unbanked into the formal financial system more challenging. Consumer education needs reinforcement to ensure that clients make informed decisions, and that their interest and money are protected.

10. Capacity building and institutional strengthening for tier 2 (small and medium) MFIs¹¹ through the TA are important so that they can be supported through the MFP, and for PFIs to be comfortable to provide local currency funding. This support would provide the opportunity for smaller MFIs to scale up their operations and provide finance responsibly.

III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The impact is aligned with India's National Financial Inclusion Strategy, the RBI's priority sector guidelines, and ADB's strategic priorities for deepening financial inclusion.¹² The outcome will be improved access to responsible financial services in India.

B. Methodology and Key Activities

12. The TA will be implemented in two phases and will focus on four key output areas: (i) on-site support for institutional strengthening in selected partner MFIs provided, (ii) partner MFIs supported in the implementation of consumer protection principles, (iii) workshops for MFI clients or potential clients on effective use of financial services provided, and (iv) information material on program results disseminated.

13. During phase 1, ADB will work closely with partner institutions under the MFP and MFIN in the selection of MFIs. The selection criteria are as follows:

- (i) The MFI should be a licensed NBFC–MFI in India.
- (ii) The MFI should have a portfolio of at least \$15 million.
- (iii) The MFI's management should be committed to improving the operations and implementation of consumer protection principles.

¹¹ MFIN classifies MFIs by their gross loan portfolio. Small MFIs have a gross loan portfolio of up to Rs1 billion, medium MFIs have a portfolio of Rs1 billion–Rs5 billion, and large MFIs have a portfolio of more than Rs5 billion.

¹² ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila; and footnote 1.

- (iv) The MFI meets the due diligence criteria of ADB's partner institution, including satisfactory integrity due diligence checks.

14. Phase 2 of the TA will start after the partner institutions select the MFIs and identify their weaknesses. The key activities of the TA related to output 1 depend on the capacity needs of the MFIs identified during phase 1. These will likely be (i) corporate governance; (ii) risk management and internal controls; (iii) management reporting and control, in particular related to operational risk issues (e.g., portfolio and liquidity); (iv) portfolio management functions; and (v) institutional processes and procedures and related staff and management capacities.

15. Under output 1, the following activities are likely to take place:
- (i) Prepare and agree the work plan and milestones with selected MFIs that improve weaknesses and support sustainable growth.
 - (ii) Carry out capacity building activities for MFIs through workshops, training, and on-the-job coaching in areas specified in the work plan, such as:
 - (a) providing training to board and senior management on governance, business planning, growth management, and related risk management issues (portfolio, liquidity);
 - (b) reviewing and improving, as necessary, credit management procedures;
 - (c) reviewing and improving risk monitoring and management reporting; and
 - (d) assessing the suitability of using technologies for the implementation of service delivery channels.

16. Under output 2, the responsible delivery of financial services will be strengthened through (i) assessments and the identification of weaknesses in the implementation of consumer protection principles, (ii) support for the revision and implementation of relevant policies, and (iii) coaching of staff in relationship management.

17. Output 3 will focus on educating consumers on improving their financial capabilities. This includes (i) stocktaking of regionally available financial education material, including potential use of local financial literacy centers; and (ii) rolling out of financial education workshops.

18. Through output 4, promotional activities such as distributing brochures, publishing impact stories, and publicizing using other forms of media, will increase awareness on the importance of responsible finance.

C. Cost and Financing

19. The TA is estimated to cost \$750,000, of which \$500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources), and \$250,000 will be financed on a grant basis by the Financial Sector Development Partnership Special Fund¹³ and administered by ADB. Participating MFIs will contribute to the funding by providing staff time, transportation, accommodation, per diem, office space for consultants (as necessary), workshop facilities, and other miscellaneous cost for participants from their respective institutions. The cost estimates and financing plan are in Appendix 2.

¹³ Financing partner: the Government of Luxembourg. Financing will be on a front-loading basis.

D. Implementation Arrangements

20. ADB, through the Private Sector Operations Department, will execute and implement the TA and will be responsible for all technical implementation issues.¹⁴ The Private Sector Financial Institutions Division of the Private Sector Operations Department will be the focal point and will work closely with the Department of External Relations for output 4. The TA will be implemented after receiving a no-objection letter from the Government of India.

21. The TA will be implemented over 36 months from December 2016 to November 2019 (1–3 months for phase 1 and 33 months for phase 2). Phase 2 may start before phase 1 is completed to allow for the sequencing of individual MFI support and the preparation of procurement for consulting services. No consultant services are needed for phase 1, while an estimated 29 person-months of consulting services (22 national and 7 international) will be required for phase 2. A consulting firm will be selected for outputs 1–3 according to ADB's Guidelines on the Use of Consultants (2013, as amended from time to time), using the quality- and cost-based selection method with simplified technical proposal. For output 4, consultants (a firm or individuals) accredited by the Department of External Relations on an existing retainer contract will be considered. Where possible, output-based contracts (lump sum) will be used. ADB staff can be used as sector, thematic, or technical experts and resource persons.¹⁵ Their travel-related expenses will be paid through the TA.¹⁶ Disbursements under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). The outline terms of reference are in Appendix 3. Since final areas for capacity building will only be confirmed after the assessment of MFIs in phase 1, the terms of reference and consultant inputs are estimates only and might be revised within the approved budget.

22. The TA will be monitored and evaluated against the activities, outputs, and outcome as described in the design and monitoring framework. This will be through quarterly progress reports against specific milestones and deliverables to be achieved within a specified time period. Results, good practices, and lessons learned will be disseminated through one brown bag seminar through the Finance Sector Group, consultant reports, and impact stories.

IV. THE PRESIDENT'S DECISION

23. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$250,000 to be financed on a grant basis by the Financial Sector Development Partnership Special Fund, and (ii) ADB providing the balance not exceeding the equivalent of \$500,000 on a grant basis to India for the Strengthening Financial Inclusion through Responsible Finance Practices project, and hereby reports this action to the Board.

¹⁴ ADB may delegate parts of the TA to selected PFIs under the MFP in compliance with ADB procedures and after consultation with ADB's Operations Services and Financial Management Department.

¹⁵ For example, to conduct a workshop with partner institutions on the selection of MFIs or to provide awareness to potential new MFIs on ADB's MFP.

¹⁶ ADB, Budget, Personnel and Management Systems Department; and Strategy and Policy Department, 2013. Use of Bank Resources: Regional Technical Assistance and Technical Assistance vs. Internal Administrative Expenses Budget. Memorandum. 26 June (internal).

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with			
The Indian National Financial Inclusion Strategy 2014, RBI's priority sector lending guidelines, and ADB's strategic priorities for deepening financial inclusion in ADB's developing member countries ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Access to responsible financial services in India improved	By 2019 a. The number of borrowers reached 1.36 million (December 2015 baseline: 1.23 million) b. 1.29 million are women borrowers (December 2015 baseline: 1.17 million) c. Average nonperforming loans (PAR of more than 30 days) ^b maintained below 2% (December 2015 baseline: 0.5%) d. At least 10 partner MFIs have integrated consumer protection principles in their operations, also addressing gender inclusion aspects (2015 baseline: 0)	a–c. Annual financial report by PFI and MFI association d. Report of local regulator, standard-setting body, or certification organization, such as the Smart Campaign ^c	Disasters decrease lending by MFIs Legal and regulatory environment for MFIs changes unfavorably
Outputs 1. On-site support for institutional strengthening in selected partner MFIs provided 2. Partner MFIs supported in the implementation of consumer protection principles 3. Workshops for MFI clients or potential clients on effective	1. Support provided to at least 5 selected partner MFIs (2015 baseline: Not applicable) 2. At least 10 partner MFIs have gone through assessment, also addressing gender inclusion aspects, and received training ^d and on-site support (2015 baseline: 0) 3. At least 50,000 clients benefit from education, at least 90% of whom are	1. Partner financial institution monitoring report 2–3. Consultant training and assessment report; policies and manuals of partner MFIs	Partner MFIs not committed to implement changes Partner MFIs cannot adequately manage growth Overheating of microfinance industry

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
use of financial services provided	women (December 2015 baseline: 0)		
4. Information material on program results disseminated	4. Information material and/or knowledge product prepared (which includes gender-sensitive information) and disseminated	4. Private Sector Operations Department website hits	

Key Activities with Milestones

- 1 On-site support for institutional strengthening in selected partner microfinance institutions provided**
 - 1.1 Complete capacity building and training for board, senior management, and relevant staff on governance, business planning, growth management, and other risk management-related issues by November 2019
 - 1.2 Provide guidance to staff for monitoring of key institutional risks (June 2017–June 2018)
- 2. Partner microfinance institutions supported in the implementation of consumer protection principles**
 - 2.1 Complete assessment, training, and on-site support for the implementation of consumer protection principles by December 2018
- 3. Workshops for microfinance institution clients on effective use of financial services provided**
 - 3.1 Complete rollout of financial education program with partner MFIs or through other established linkage potentials by June 2019
- 4. Information material on program results disseminated**
 - 4.1 In coordination with the Department of External Relations, prepare and disseminate information material at relevant events and/or forums, websites, and social media (April 2017–December 2019)

Inputs

ADB: \$500,000 (TASF-others)

Financial Sector Development Partnership Special Fund: \$250,000

Note: Participating MFIs will contribute to the funding by providing staff time, transportation, accommodation, per diem, office space for consultants (as necessary), workshop facilities, and other miscellaneous cost for participants from their respective institutions.

Assumptions for Partner Financing

Not applicable.

ADB = Asian Development Bank, MFI = microfinance institution, PAR = portfolio at risk, PFI = partner financial institution, RBI = Reserve Bank of India, TA = technical assistance, TASF = Technical Assistance Special Fund.

^a Government of India, Ministry of Finance, Department of Financial Services. 2014. *Pradhan Jan-Dhan Yojana: A National Mission on Financial Inclusion*. Delhi. <http://financialservices.gov.in/banking/PMJDY%20BROCHURE%20Eng.pdf>; RBI. Master Circular-Priority Sector Lending-Targets and Classification. https://rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9857; and ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

^b PAR calculation: The value of all loans outstanding that have one or more installments of principal past due more than a certain number of days. This item includes the entire unpaid principal balance, including both past-due and future installments, but not accrued interest. It also does not include loans that have been restructured or rescheduled. PAR is usually divided into categories according to the amount of time passed since the first missing principal installment. R.P. Christen, T. Lyman, and R. Rosenberg. 2003. *Microfinance Consensus Guidelines: Guiding Principles on Regulation and Supervision of Microfinance*. Washington, DC: Consultative Group to Assist the Poor/The World Bank Group

^c The Smart Campaign is a global effort to support smart microfinance. <http://www.smartcampaign.org>

^d Program partner financial institutions (local currency lenders, Standard Chartered Bank, IFMR Capital) can also attend.
Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	215.70
ii. National consultants	290.00
b. International and local travel	76.25
c. Communication	3.10
2. Media production for awareness campaign	50.00
3. Training, workshop, and seminars	65.00
4. Travel of ADB staff (as resource person) ^b	20.00
5. Contingencies	29.95
Total	750.00

^a ADB, Budget, Personnel and Management Systems Department; and Strategy and Policy Department. 2013. Use of Bank Resources: Regional Technical Assistance and Technical Assistance vs. Internal Administrative Expenses Budget. Memorandum. 26 June (internal).

^b Financed by the Technical Assistance Special Fund (TASF-other sources) of the Asian Development Bank (ADB) and the Financial Sector Development Partnership Special Fund (financing partner): the Government of Luxembourg; administered by ADB.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Objectives and Scope

1. The outline terms of reference (TOR) for consultants describes the main tasks for the outputs of the proposed capacity development technical assistance (TA). The Private Sector Financial Institutions Division of the Private Sector Operations Department will coordinate the TA. The required areas of expertise for the international and national experts include financial education, microfinance, governance, institutional strengthening, risk management, consumer protection, and training. More detailed TOR will be formulated before the consultants are recruited. The TOR is indicative only and will be revised after the microfinance institutions (MFIs) are selected and their capacity needs are assessed. Implementation is expected to require 27 months (22 national and 7 international) of consulting inputs.

B. Terms of References for Outputs 1–3: Institutional Strengthening, Consumer Protection, Financial Education

2. A consulting firm will be selected with the following minimum key experts (national and/or international): (i) institutional strengthening expert, (ii) consumer protection expert, and (iii) financial education expert. The consultants will work closely with partner financial institutions of the Asian Development Bank (ADB) and report quarterly to ADB on progress and achievements.

3. The experts will work with different levels of the organizations (board, senior management, staff) to improve governance, business planning, and growth management as well as monitoring of key institutional risks. Based on the partner institutions' assessment, the experts will define a work plan and work with the selected institutions to, among others, (i) improve management reporting and analysis of key risk management ratios, including liquidity, portfolio, and other indicators; (ii) improve portfolio management functions; (iii) improve internal controls; and (iv) improve processes and procedures, including delivery channels for increased efficiency. This will be achieved through on-the-job training and a series of workshops.

4. The expert team will build the capacity of selected partner MFIs on consumer protection issues, in line with local regulatory or association requirements. The expert will create awareness and understanding and/or agreement of participating MFIs on the importance of consumer protection principles in relation to overindebtedness, for example. The experts will assess MFIs' readiness to comply with consumer protection principles or the Reserve Bank of India's Fair Practice Code,¹ and identify gaps that need improvement. The team will work with the MFIs to draft policies and guidelines to implement consumer protection principles in the institution. This will include conducting a review of existing policies and guidelines relevant to broad consumer protection principles, training staff on relationship management related to consumer protection principles, and implementing monitoring processes to ensure principles are followed.

5. The experts will take stock of available financial education material in the country. According to international best practices, considering suitable technologies for cost-efficiency, the experts—in cooperation with the MFIs—will revise and/or standardize materials or produce materials that are suitable for a broader audience, such as a financial education video,

¹ Reserve Bank of India. *Master Circular-Fair Practices Code*.
https://rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9823

smartphone apps, and cloud platforms. The experts will deliver financial capability, coaching, and training through innovative technologies, engaging MFI staff and users in a two-way conversation about their financial services and their financial understanding. Over 3 months, the experts will trial the material with selected MFIs to fine-tune it before the final rollout.

6. The firm will need expertise in microfinance, adult education, and financial behavior change; knowledge of gender issues; and the necessary technology to deliver the program and evaluate the results. It will need to have the capacity to design, implement, and measure the results of a financial education program that aims at financial capability and consumer protection. The firm will need to have proven capability in microfinance and to design experiences that encourage financial understanding and promote informed decision-making by the consumers. Input will be provided through one international and one to several national experts, who will coordinate with the consumer protection experts.

7. For the consumer protection component, the firm will need specific expertise in consumer protection principles for the financial services industry, either as a local industry standard-setting body or as a specialized entity, and will be allowed to subcontract to complement areas of expertise.

8. For the institutional strengthening management component, the firm will need to have practical experience in MFI operations, governance issues, and operational risk management, especially in fast-growing sectors and changing legal and regulatory environments. New technologies for the cost-efficient delivery of products and services due to increasing competition will be an aspect of support.

9. All experts need to have experience in gender aspects concerning microfinance and India.

C. Terms of Reference for Output 4

10. A consulting firm or individual consultants will be selected. In collaboration with the Private Sector Operations Department and Department of External Relations, the firm and/or individual consultant will design and develop suitable information material to raise awareness of the need for responsible finance along with information on the program and achieved results in ADB's developing member countries. This might include brochures, videos, impact stories, and website as well as social media tools. The firm is expected—based on discussions—to prepare and propose initial outlines for documentary content, brochure layouts and design, and online tools. The firm will then produce the materials, including necessary translation, videography, and voice-over.

11. The firm will need to have practical experience in media, design, and video production, with a proven record in ADB's developing member countries.