

# National Cooperative Bank Limited

## Terms of References (TOR)

### MICROFINANCE SERVICES ON COOPERATIVES: RETHINKING 'BEST PRACTICES'

#### 1. Background Information

National Cooperative Bank Limited (NCBL) was established in 2003, as the only bank in the cooperative movement of Nepal at national level, in exercise of the power conferred by the Cooperative Act 2074 and from the recommendation of Nepal Rastra bank (Central bank of Nepal) as an umbrella institution to provide banking and financial services to all its member cooperatives following the long and continuous demand and efforts of cooperators.

NCBL is primarily established with the objective to meet the financial needs and launch different promotional activities to support its member cooperatives to be more professional and competitive. The establishment of NCBL, therefore, has a special implication for the development of cooperative movement of Nepal since the promotion and strengthening the cooperatives address the country major socio-economic deprivations, poverty, unemployment and inequality etc. At present, the bank with about 12,283 member cooperatives covering all 77 districts and with rapidly growing number day by day, has already extended its network in 68 different places. NCBL is further planning to be expanded to other places in the current fiscal year to better serve the member cooperatives.

#### 2. Rational

Financing small and micro enterprises, mostly in developing countries, to alleviate poverty, is reflected a “new paradigm” for conveying about growth and eliminating absolute poverty. Small enterprises have received growing attention at both national and international levels during the last decade. Theoretically under Cooperative financial model, social welfare and commercial success both are equally focused. The welfare may be in the form of collective approach to uplift through cooperative. Further, it focuses on benefits like, profit sharing, risk sharing, interest free loan, exemptions, patronage refund etc. Cooperatives have positively impacted the society to uplift from the bottom-line poverty.

Micro financing is the facility of monetarist services to poor and low-income households without access to hardcore financial institutions. In Nepalese context Micro Banking institutions seems more profit oriented rather service. This statement is supported by Microfinance institutions

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financial reports as well. Few of Nepalese cooperatives has also practices micro lending to their member. Microfinance institutions governed by NRB and micro lending by cooperatives seems different in terms returns since Cooperative policy has made mandatory on patronage refund.

Many projects and programs, regarding the micro finance, have been conducted in various countries and organizations to empower and safeguard the poor.

### 3. Objectives

The general objective of the study is to "identify best micro lending model for Nepalese cooperative society with reference to global perspective and possible implementation in Nepalese context".

The specific objectives are

- Assessment of Nepalese Cooperative micro lending practices
- Identify suitable micro lending model to Nepalese cooperative society
- Identify minimum parameters (financial and non-financial) for implement suitable micro lending model on Nepalese cooperative society.

### 4. Evaluation questions

The purpose of this study is to identify and implement the best micro lending model for Nepalese cooperative society from global perspective and their possible implication in Nepalese context.

Based on this objective, this study intended answer the following research questions

- What are the micro lending models practices around the world by cooperatives? What are their pros and cons? Does replication of micro lending model give anticipated result to nation like Nepal?
- Are there any significant differences between cooperatives micro lending practices and BFI's micro lending practices?
- What are the micro lending models practiced by Nepalese cooperative societies? What are their strengths, weakness, opportunities and threats?
- What kind of risks are faced by Nepalese Cooperatives on micro lending practices?
- What could be the suitable micro lending model for Nepalese cooperative society?

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- What could be the parameters (financial and non-financial) for implement suitable micro lending model in Nepalese cooperative society?

#### 5. Scope of Evaluation

The researcher must analyzed cooperative micro lending model in terms of their effectiveness, popularity, contribution to society, social welfare etc. The researcher can use total population and four boundaries of Nepal as population for the research however, reviewing must go beyond the national boundaries to meet objectives of this research work.

For the ground reality, the researchers are expected to collect the data from the grass-root level where the practices of micro lending have been carried out.

The maximum time allowed for the final presentation and submission of the report is **90 days** from the date of approval. Fail to submit the report within given time frame as per prescribed format are not entertained for funding. The funding scheme will be fixed and researcher will receives installments as per the progress reported to the bank. No extra funds will be given.

#### 6. Methodology

Researchers are free to choose the suitable research design as per their knowledge, expertise and experience. However, the evaluator will analyze the relevancy, effectiveness and justification of the adopted research methods. Library search, primary questionnaire survey, field visit, case study, interview, news articles etc. are recommended data collection methods. Minimum of one case study of micro lending coop from Nepal is mandatory.

Researcher can use suitable table, charts, and figures to present the collected data. Mixed method (descriptive, analytical, case study, experimental, explorative etc.) of research design can be used as per the researchers rational. Replication of the research are strongly discouraged. The researcher can present other local, regional, national, and international data to support the arguments as well as analysis purpose. **The independent team of evaluators** may verify the source and data presented in the reports during the evaluation process. Any deficiencies or ethical issues may lead termination of the agreement. Independent team of evaluators (Formation will be from NCBL management) can suggest on process and progress of research work.

#### 7. Deliverables

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The followings are the expected deliverables from this research

Research Proposal: an inception report incorporating findings of library review, conceptual framework (if any), details of applicable tools and methodologies together with details of work plan, and time schedules, budget, and the tentative table of content for the final report.

Progress report: a brief progress after the data collection is completed with information on the tasks accomplished and need to revisit tools and methodologies, content of the report proposed in proposal.

Draft and final reports: detail draft report meeting the objectives of the TOR and with the methodologies in line with the Table of Content developed and agreed in proposal and revisited in progress report. Final report will be the end product after incorporation of all the comments from independent evaluation committee of NCBL.

Summary report and presentation: a summary report (max 5 pages) and a power-point presentation highlighting the findings of the assessment.

#### **8. Professional Qualifications**

Interested firm or group (at least 3 person) can submit their proposal in the given address of the bank within the deadline. The other qualification will be as per followings

- The research firm/group should have capability on qualitative and quantitative research; clear understanding on research methodology as well as sound knowledge and working experiences on using different social research tools and techniques; and with proven experience on conducting socio-economic analysis, financial analysis, institutional capacity assessment, policy assessment, actors mapping, corporative and microfinance governance system analysis etc.
- The team members should have the knowledge on the policy, Acts, regulations, and institutional landscape for cooperative development, economic development, resource governance, and their interlinkage with socio-economic development.

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- The firm is independent to build research team as per need and scope of the study.
- One member (team leader) should have at least PHD in relevant field. S/he must have skill and knowledge of micro-lending research, cooperative issues and challenges, economics/finance, and a proven track record of at least ten years of work experience in similar field.
- Second member should have master degree and at least 10 years working or research experience related to microfinance and cooperative.
- Third member should have master degree and knowledge on research, microfinance and cooperative will be added advantages
- The Team Leader will manage the overall work within deadline and will be responsible for all the written outputs. S/he will ensure that the various elements of the analysis are efficiently planned and undertaken and that the synthesis of the evidence is effective and is presented in an appropriate manner that provides clear recommendation and conclusions.
- The Team Leader will also be responsible for effective liaison with key stakeholders while conducting the research and ensure the timely submission of deliverables including development and finalization of the research methods/tools.
- Prior experience of accomplishing similar research project are added advantages.
- Good communication and written skills.
- Strong skill on developing analytical and quality report

The language of deliverable shall be English and Nepali. All the deliverables should submit in physical printed form as well as pdf file. For referencing the researcher must follow valid reference practices. After the completion of study, legal copyright should transfer in the name of NCBL signing by all the members

Apart from the above, submission of the following will be taken into account during the selection process:

For firm

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- A full technical and financial proposal along with the budget breakdown;
- A copy of Company/firm Registration;
- A copy of PAN/VAT (obligatory) certificate;
- A copy of tax clearance for last fiscal year from Inland Revenue Office;
- CVs of all the proposed team member;
- Letter certifying experience of team members
- All proposed professionals must sign the copy of clearly mentioning their proposed position in this study.
- Copy of citizenship of each member.

For group of people

- A full technical and financial proposal along with the budget breakdown;
- Cover Letter
- Brief CVs of all the team members;
- Letter certifying experience of team members
- Copy of citizenship of each member.

#### 9. Budget and payments

The maximum available budget is **NPR 300,000 (In words: Three hundred thousand rupees only)** inclusive of applicable taxes. This includes team member's allowances, lodging (accommodation), travel and stationaries including all other associated cost with this study. All applicable taxes will be deducted at source. 30% of total agreed amount shall be disbursed upon submission of proposal after the proposal acceptance, 30% will be disbursed after the submission of draft report, and remaining 40% will be paid after submission all deliverables. All expenses should be included in your budget plan with a proper budget breakdown.

#### 10. Tentative timeline

The expected time to complete the task within 90 days of the commencement of the agreement.

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##### 11. Evaluation Criteria

NCBL will review the applications based on the similar working experience and the robustness of the methodological approach in the submitted application including financial proposal.

##### 12. Invitation for the Letter of Interest

NCBL requests firm (registered in VAT)/group (at least 3 people) to submit with

- An application highlighting the proposal with
- Brief technical proposal along with your proposed methodology (not more than 10 pages)
- Recently updated CV, and
- **A financial proposal with detail cost breakdown to conduct the proposed work to [research@ncbl.coop](mailto:research@ncbl.coop) as per published notice. Only email submission will be entertained for proposal enrollment.**

##### **For Contact Purpose Only**

National Cooperative Bank Limited

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