

Terms of Reference(TOR)
Study on impact of Pradhan Mantri Mudra Yojna (PMMY)

1. Project Title

Study on impact of Pradhan Mantri Mudra Yojna (PMMY) - Role and Impact of PMMY.

2. Background

As per NSSO survey (2013), there were 5.77 crore small/ micro units in the country, mostly individual proprietorship / 'Own Account Enterprises' which employ around 12 crore people. Over 60% of these units are owned by persons belonging to weaker sections of the society, the scheduled castes, scheduled tribes, Other Backward Classes, minorities and women. Majority of these units do not have access to the formal banking system and are forced to borrow from informal sources, or use their limited own funds. Micro Units Development & Refinance Agency Limited (MUDRA) was incorporated under the companies Act, 2013 and launched on April 08, 2015 by the Hon'ble Prime Minister as a wholly owned subsidiary company of SIDBI, with NBF1 registration from RBI.

MUDRA has been working towards bridging this gap. By creating a good architecture of Last Mile Credit Delivery, MUDRA aims to increase the confidence of the aspiring but unemployed youth of the country to become first generation entrepreneur as also of existing small businesses to expand their activities.

The present authorised capital of MUDRA is at ₹ 5000 crore with a paid up capital of ₹1675.93 crore. SIDBI has contributed the entire capital of MUDRA. RBI has allocated an amount of ₹20,000 crore from Priority Sector shortfall of Commercial Banks for creating a Refinance Corpus Fund, as announced by the Hon'ble Finance Minister.

Pradhan Mantri Mudra Yojana (PMMY), a scheme to finance income generating small business enterprises was also launched on 08 April 2015, along with the launch of MUDRA, wherein all banks are required to finance micro entrepreneurs engaged in microenterprises of income generating activities with loan requirement up to ₹10 lakh, irrespective of whether they avail of refinance support from MUDRA. However, MUDRA credit guarantee support is available to all eligible institutions under the Yojana. All MUDRA loans issued on or after 8 April 2015 are eligible to be covered under the CGFMU, notified on 18 April 2016.

Lending under MUDRA loans focuses on the unfunded segments of the Micro Enterprises by granting the loans in the following 3 segments so that they can significantly contribute to the nations GDP:

- Loans upto ₹50,000 (Shishu)

- Loans above ₹50,001/- and upto ₹5 lakh (Kishore)
- Loans above ₹5,00,001/-and upto ₹10 lakh (Tarun)

The above 3 categories of MUDRA loans are based on the business life-cycle that the loanee enterprise currently is in. These three categories signify the growth, development and funding needs of the beneficiaries.

The business domain of MUDRA consists of income generating micro enterprises engaged in manufacturing, trading and services sectors for loans up to ₹10 lakh. From fiscal 2016–17 micro enterprises involved in activities allied to agriculture too have also been brought within the ambit of PMMY loans. The overdraft amount of ₹5,000 sanctioned under PMJDY is also treated as part of MUDRA loans under PMMY.

MUDRA supplements the efforts of the existing institutions by providing funding support through refinance and securitization of loan assets, to extend financial assistance to borrowers from micro enterprises.

Commercial Banks, Regional Rural Banks (RRBs), Cooperative Banks, NBFCs and MFIs engaged in financing micro enterprises are eligible for refinance support from MUDRA.

Securitization - MUDRA as a market maker

Securitization, a scheme which not only allows MUDRA to leverage its capital, but also enables reasonably quality small and medium sized originators such as NBFCs and MFIs to access capital markets at affordable rates.

MUDRA Guarantee Fund

As a measure to mitigate the problem of collateral security faced by the new entrepreneurs, GOI has notified the constitution of Credit Guarantee Fund for Micro Units (CGFMU) on 18 April, 2016 with ₹3000 crore which is operational through NCGTC.

The progress under Refinance support provided by MUDRA during past 3 years is as under:

Assistance from MUDRA

(₹ in crore)

Agency	2015-16		2016-17		2017-2018	
	Amount sanctioned	Amount disbursed	Amount sanctioned	Amount disbursed	Amount sanctioned	Amount disbursed
Banks	2432	2432	1886.73	1886.73	4,655.73	4,405.73
MFIs	812	616	820	787	446.5	369.5
NBFCs	0	0	399	399	1,137.00	1,005.00
RRBs	239.25	239.25	181.79	181.79	516.75	516.75
SFBs	-	-	-	-	500	500
Total	3483.25	3287.25	3287.52	3254.52	7,255.98	6,796.98
Investment in PTCs	49.95	49.95	271.42	271.42	721.92	704.07
Grand Total	3533.2	3337.2	3558.94	3525.94	7,977.90	7,501.05

Pradhan Mantri Mudra Yojana (PMMY)—also known as the Mudra loan scheme—not only intends to bridge the funding gap to the micro enterprises but also aims to boost the confidence of the first generation entrepreneurs and assist existing small businesses expand their activities. Own account enterprises (OAEs) including proprietorship and partnership firms engaged in small manufacturing units, service sector enterprises, shop keeping, fruits and vegetable vending, trucking, operating food services, repairing and maintenance, operating machines, running small industries, food processing, handicraft making (artisans) among others in both rural and urban areas are potential Mudra borrowers under PMMY.

To facilitate hassle free and flexible working capital assistance to the borrowers, MUDRA introduced the MUDRA card—a debit card on RuPay platform which can be operated across the ATMs and 'Point of Sale' (POS) Machines. A Borrower would be able to manage his credit needs by drawing funds from ATMs or make payments

through POS machines, based on the requirement and repay s and when funds are available with him. Many partner banks / MFIs disbursed working capital loans by adopting the MUDRA card scheme.

The lending terms of PMMY, such as, margin, interest rate and security, etc. are as per the RBI stipulations. In terms of RBI guidelines issued on lending to Micro, Small & Medium Enterprises (MSME) Sector, banks are mandated not to collect collateral security in the case of loans up to Rs.10 lakh extended to units in the MSE sector. Banks are required to encourage their branch level functionaries to avail of the Credit Guarantee Scheme cover, where ever felt desirable.

Department of Financial Services (DFS), Gol has set up 'Mission Mudra' to closely monitor the programme. Periodic video conferencing by DFS officials with banks has helped in timely implementation and monitoring of the programme.

While the progress of PMMY is being monitored by MUDRA, the NABARD supporting it by following up with RRBs. Monitoring of MFI progress is being supported by MFIN in respect of NBFC-MFIs—a segment that played a major role in dispensing micro loans and Sa-Dhan in respect of non-NBFC-MFIs.

The progress under PMMY during past 3 years is as under :

Pradhan Mantri Mudra Yojna (PMMY)

Scheme	2015-16			2016-17			2017-18		
	No. of Accounts (lakh)	Amount sanctioned (₹ in crore)	Amount disbursed (₹ in crore)	No. of Accounts (lakh)	Amount sanctioned (₹ in crore)	Amount disbursed (₹ in crore)	No. of Accounts (lakh)	Amount sanctioned (₹ in crore)	Amount disbursed (₹ in crore)
SHISHU	324.01	62894.96	62027.69	364.98	85100.74	83891.88	426.69	106001.60	104228.05
KISHORE	20.69	43052.55	41073.28	26.64	53545.14	51063.12	46.53	86732.16	83197.05
TARUN	4.10	31501.76	29853.76	5.40	41882.66	40357.13	8.06	60943.34	59012.25
TOTAL	348.80	137449.27	132954.73	397.02	180528.54	175312.13	481.28	253677.1	246437.35

Monitoring of PMMY

For effective monitoring of PMMY, a dedicated portal linked to MUDRA website www.mudra.org.in was commissioned for capturing weekly data on the performance of various institutions under PMMY. Provision has been made to capture district level disaggregated data giving details of loan and borrower wise categories. The portal captures data on women beneficiaries, SC/ST/OBC/Minority/New Entrepreneurs/accounts etc. under PMMY. Portal has been fine tuned to capture NPA data also from partner institutions. The data is used for analysis and monitoring the

progress under PMMY, both at State and Central Government level. An NPA module has also been launched to capture NPA position under PMMY portfolio. Similarly, a module for online boarding of success stories of PMMY is also being made available in the portal.

It is now proposed to carry out a longitudinal impact assessment of PMMY covering base line, mid line and end line studies. An independent agency is to be appointed to evaluate the impact generated by the PMMY Scheme with a view to make the scheme more effective and in line with the demand.

3. Overall Objective

In the context of different product designs and delivery mechanisms in different parts of the country, it is proposed to engage a suitably qualified firm to carry out a longitudinal impact assessment of PMMY i.e., resultant change associated with the involvement in PMMY, covering base line, mid line and end line studies. The mid line and end line studies will be comparing the findings of the End line Survey with those of the base line and mid line study. Apart from studying the Impact of PMMY on the sector, the study would also look at whether MFIs were able to raise additional debt funds for on-lending to the ultimate beneficiaries and whether MUDRA has been able to provide low cost funds to MFIs and NBFCs, changes in the social and economic profiles, and the sociopolitical impact of the PMMY on the micro entrepreneurs / Micro units.

The study would have objectives, as mentioned below.

- (a) **Document Impact** of PMMY at the end user level, dealing with issues of attribution as objectively as possible;
- (b) **Improve practice** by understanding the process of PMMY intervention and their impact at the end user level.
- (c) **Understanding the role of alternate channels such as** MFIs and other intermediary organisations in reaching out to end-users by leveraging additional funds

The key **research tools** are as under :

- ❖ **Data Collection Tool** – Both quantitative (questionnaire based survey) and qualitative (focus group discussions, case studies, semi-structure interviews) tools to be used for collecting data/feedback from the end user as well as intermediary channel.

These could be used to understand the process and role of intermediary channel in reaching out to end users.

- ❖ **Unit of analysis** - The micro unit / borrower under PMMY (as also non-client micro unit) to be considered as the unit for analysis. Further, for the purpose of intermediary channel, individual lending institution shall be considered as a unit for analysis.
- ❖ **Comparison group** - Survey of a quasi-experimental design with micro units from the same area with a view to compare clients with different types of service (e.g with or without a MUDRA card) to track the effectiveness of the services. The bidders may suggest the qualitative options they would explore in this regard.
- ❖ **Statistical testing** – Independent means and chi-square tests to be calculated on comparative data assessing statistical significance of differences between clients and non-clients as well as between base line and mid line / end line data for clients.

□ 4. Scope of the Work

The selected agency will, as a part of the exercise, address a set of core questions:

- Outreach and access:

The agency should assess the impact of PMMY on the outreach and access for the micro entrepreneurs, whether PMMY has made outreach and access to debt for micro entrepreneurs easy.

 - Difficulties (type / length of information sought, non cooperative behavior of loan officers, delaying / denying loans etc.) being faced by the borrowers in accessing loans under PMMY geography and lending institution wise (most easy / difficult to access).
 - Difficulties being faced by the lenders in granting loans under PMMY geography and lending institution wise.
 - Types of micro enterprises covered under Shishu, Kishore and Tarun activity / livelihood pattern wise.
 - Any adverse selection made by the lenders.
 - Interest rates being charged under 3 products of PMMY by lenders institution wise.
- Social profiles of clientele: Whether there has been any improvement in the profiles of the ultimate beneficiaries (SC/ST/Women/NER beneficiaries) under the 3 products of PMMY.
 - educational background of borrowers under the 3 products of PMMY.

- Social background of borrowers

New financial intermediaries: The Agency shall assess whether the assistance from MUDRA has helped in supporting micro entrepreneurs under PMMY by the new financial intermediaries such as Small finance Banks / wholesale institutions and NBFCs.

Economic Impact: The agency will assess any change in the Income growth of the ultimate beneficiaries (i.e. micro entrepreneurs particularly SC/ST/Women/NER beneficiaries) due to the PMMY. Any changes in the business in terms of increase in turnover of the enterprise, income, employment etc., any improvement in the Assets of the beneficiaries, recovery of assets hypothecated or mortgaged, saving pattern, changes in number of sources of income, etc. Loan utilisation pattern over time (debt repayment, growth of business, investments. Any improvement in terms of education and health related expenditures. Providing/improvement in credit plus services to the micro entrepreneur.

- How is the pre and post-credit employment pattern.
- use of credit for acquisition of assets/working capital/repayment of other loans or anything else.
- Ratio of women headed enterprises and their performance.

Social and political Impacts: Involvement of women entrepreneurs in new or non-traditional activities, confidence and assertiveness by the micro entrepreneurs, in particular, role of women entrepreneur in household and community decision-making.

- Pressure on banking institutions to improve services

Future Relevance & Prospects: Suggest the extent of future need and relevance of the PMMY for the Micro enterprise sector for the next five years.

Major risks being faced by the micro entrepreneurs

5. Expected Deliverables

The selected agency shall be responsible for:

- a) Submission of evaluation report for each of the base line, mid line and end line studies: base line within 6 months of award of the contract, mid line within 36 months of award of the contract, and end line within 66 months of award of the contract.
- b) Sampling: The survey would consist of sample of about 25 lending institutions covered under PMMY representing stratified random sample, covering about 1,00,000 PMMY borrowers (or statistically significant sample whichever is higher) from various Regions/States, type of intermediary, type of loan spread across various geographical areas and 3 products of PMMY with different legal status.
- c) The consultant shall submit 5 hard copies and 10 CDs of the each of the final report for the 3 lines of study.

6. Competency and Expertise Requirements

A. Pre Selection Criteria: The documents submitted by the applicants must give proof of their financial resources and general professional expertise, their experience, sectorial knowledge of micro enterprise sector and regional knowledge; they must also provide evidence of an adequate personnel structure. The documents should outline, briefly and concisely, the relevant work performed over the last ten years and summarize the applicant's qualifications and experience. A legally binding signed declaration of undertaking from the applicants pursuant to Appendix 1 shall be included with these documents.

B. The selected agency will have

- a) comprehensive knowledge of micro enterprise sector policy and practice
- b) Comprehensive knowledge of best practices in impact assessment methodologies for microfinance / micro enterprises and in other areas of economic and social development or market research.
- c) Experience of designing and conducting impact assessments or market research using both quantitative and qualitative methodologies with both PAPI and CAPI methods.
- d) an excellent record in socio-economic research in India
- e) A demonstrated ability to undertake research on a national basis, to manage a range of sub-contractors and forge effective partnerships at national level.
- f) The following key professionals shall invariably be part of the team till completion of the project.

SI No.	Academic / Professional qualification	Experience
1	At least one Postgraduate in Economics / Statistics /Applied Economics	Not less than 5 years in consultancy in economics and finance and statistical models for banks and financial / Institutions.
2	At least one C.A./M.B.A/PGDBM	Not less than 5 years in consultancy / developing business strategies for banks and financial institutions.

7. Methodology

The study shall be carried out through Field Research (interaction with lending institutions, PMMY borrowers, Government departments and other stake holders) (pick representative sample based on agreed parameters), etc. and scrutiny of latest available published and unpublished information, discussions with knowledgeable persons in the industry, stakeholders, lenders, etc.

8. Duration

The duration of the assignment will not be more than 66 months from the date of contract award. Extension not exceeding 6 months without any cost escalation, if required, in the period of contract shall be considered based on achievements made vis-a-vis the deliverables.

9. Reporting Requirements

- The agency/consultant team will report to The Managing Director & CEO, MUDRA on all matters.
- Reports on the progress made will be submitted on a monthly basis by 10th of next Month.
- Discussion on the progress on a fortnightly basis will be held through video-conferencing / telecom where presentation will be made by the agency/consultancy team to MUDRA. The members of team of the consulting firm would be required to make necessary trips to Head Office of MUDRA at Mumbai for discussions, as and when called.
- Draft of Final Report for base line study will be submitted to SIDBI after 10 months of the contract.
- Draft of Final Report for mid line study will be submitted to SIDBI after 36 months of the contract.
- Draft of Final Report for end line study will be submitted to SIDBI after 66 months of the contract.
- The final report should be submitted after incorporating the comments of MUDRA/stakeholders.
- Final report for each line of study with comments/suggestions received from stakeholders / MUDRA will need to be submitted by within one month from the receipt of all comments.

- Timeframe: The consultancy will be for a period of 66 months.

Sr. No.	Milestones	X days of signing of contract
1	Inception Report	15 days
2	Data collection (field visit/ Interview etc.)	5 ^{1/2} months
3	Submission of Draft Report	6 months
4	Submission of Final Report	One month after receipt of comments i.e. 7 months

10. EOI Assessment Criteria

For the purposes of shortlisting, the assessment criteria are enclosed along with Request for Expression of Interest (REOI).

Sr no	Criteria	Max marks	Sub criteria	Marks
1	Evidence of experience of similar projects / sector	40	Experience in handling similar projects.	15
			Experience of banking and financial services sector	10
			Experience of micro finance / micro enterprise sector	15
2.	Expertise for this particular project	60	Assessment of available technical knowledge specific to this project	20
			Assessment of the personnel structure in regard to the tasks expected	15
			Assessment of the key personnel in permanent employment and always available to monitor the team and provide back-up services from the home office	15
			Understanding of the TOR and suggested methodology by the applicant	10

11. Expression of Interest

Based on the TOR, interested consultants may forward an Expression of Interest (EOI) to MUDRA. The EOIs should be duly supported by:

- a. submission of brochures
- b. Consultancy firm"s
 - i. experience in having conducted various studies/surveys on Indian economy and in particular banking sector
 - ii. Experience in having published documents/publications on banks and banking sector including on microfinance / micro enterprise sector.
 - iii. experience in having worked for at least 5 years in actively doing research and publishing such reports on banks and banking sector including micro finance / micro enterprise sector at national / international level
 - iv. key personnel and their academic and professional qualifications
 - v. experience of key personnel in dealing with banks and financial institutions including micro finance / micro enterprise sector matters and
 - vi. turnover and net profit for the last 3 financial years of the firm submitting the EOI.

Documents to be submitted:-

Corporate profile and status, evidence of financial resources in relation to the volume of services required (inter alia confirmation of guarantee line given by company's principal bank; legally binding signed declaration of undertaking from the applicant in compliance with the attached sample [Appendix 1 to this Annex]). Other evidence required will depend on the amount of services to be performed (e.g. balance sheets and profit and loss accounts for the last three years), relevant references from the last ten years to prove technical qualifications and experience abroad, in the region or country (maximum ten references per sector of operation), curricula vitae of consultant's key personnel who will provide monitoring and back-up services from the home office, statement of personnel structure (number and qualifications), declaration of intent regarding cooperation (name of lead company), declaration on associated firms, if appropriate further documents to be submitted.

Based on the EOI, MUDRA shall evaluate the consultancy firms and shortlist the consultants for submission of detailed Technical and Financial Proposals based on an evaluation of which and subsequent negotiations, the contract shall be awarded. It is to be noted that Consulting Firms that are acting as general advisers to MUDRA may not take part, even if their activities are not directly related to the Financial Cooperation Project. Consultants may associate with other firms in the form of a joint venture or a sub-consultancy to enhance their qualifications.

Interested consultants may obtain further information at the address below during office hours (10.00 AM to 5 PM, Monday to Friday, excluding public holidays). The response to this REOI is to be submitted in Original + Four copies. Expressions of Interest must be delivered in a written form to the address below in sealed covers super-scribed with "Expression of Interest for Study on impact of PMMY– Role and Impact of PMMY" by August 13, 2018 (1700 hrs)".

Managing Director & CEO
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