



Invitation for Expressions of Interest: Microfinance Digitization Pilots in Automation of Repeat Loans and Performance Measurement

About the Project

CGAP believes that the microfinance industry can significantly increase its contribution to financial inclusion by leveraging digital technology. Microfinance institutions (MFIs) deliver services to the lower end of the micro- and small enterprise (MSE) market with channels and services that can be improved with the innovations emerging in the mass market financial service sector.

In our recent work, we find MFIs that are leveraging technology to create and measure customer and business value in new ways. Their success comes from new competencies and practices that we believe any MFI can adopt with similar results. We will run a small number of pilot projects with participating MFIs to catalyze these new approaches and replicate the success of early adopters.

CGAP has conducted an initial landscaping of MFI attempts to deploy digital technology. We have found that the most successful implementations use an incremental approach towards digital product and channel development, and measure customer behavioral change to ensure that new initiatives create value for customers and company. We also find that MFIs that automate their loan renewal processes are tapping a significant potential for scaling their operations at lower cost.

We are looking to engage with MFIs interested in either or both: (i) implementing a set of tools for customer behavior tracking and measurement to help better understand and quantify impact of digitization initiatives on their customers and business (**Measurement workstream**); (ii) automating credit renewal for existing customers (**Automation workstream**). Both pilots will also entail participation in a closed community of practice for MFIs (the CoP), to share experiences with implementing measurement and/or automation. In exchange, CGAP is offering a substantive in-kind support as described below.

We invite applicants interested in either of the above and meeting the eligibility criteria below to submit their expression of interest (the application form is attached separately). Applicants must indicate their preference for the Measurement and/or Automation workstream in the Expression of Interest (EOI) submission using the attached form. Given below are details about both types of engagement:

- **Measurement workstream:** We look to partner with MFIs that have implemented a digital solution (e.g., a customer app, field officer app, digitization of credit application process) and want to measure its impact on their customer behavior (and by extension on the MFI's own business performance). We have developed a set of dashboards that offer a 360° view of the customer engagement (these include tracking the use of channels, loan sizes and frequency, deposit balances, transactions etc.). The scope and scale of the CGAP support will be adjusted to the needs of individual MFIs selected. It will largely concentrate on developing and implementing a set of dashboards appropriate to the tracking and measurement of the selected digital solution(s). We will help the partner MFI develop a data extraction, warehousing and analytics practice to define the baseline and track changes in customer behavior resulting from the digitization efforts.
- **Automation workstream:** We look to partner with MFIs that want to automate the repeat loan process, particularly to their existing MSE clients. CGAP will provide technical assistance (using a third-party expert provider) to develop the credit underwriting model based on data points recorded for the existing clients and help to automate the entire repeat loans process in close collaboration with the partner MFI team. The scope and scale of the CGAP support will be



adjusted to the needs of individual partner MFIs, the tech stack in place, their underwriting methodology and the business objectives agreed. The project will be housed in a sandbox to isolate the effort from the MFI's core business, and resource the project to prove concept in a 12-month time frame. The objective is to develop a minimum viable product (MVP) for automated credit decisioning concerning repeat loans that is ready to scale.

This invitation for EOI explains the rationale and application process to interested MFIs. A separate application form for EOI is attached. The deadline for applications is **November 15, 2021**.

Minimum Selection Criteria

Minimum requirements for the selection of MFIs for pilots include:

- Management
 - Explicit commitment of the top management (C-suite) to the partnership with CGAP and the timelines and outputs agreed
 - Ability to manage the project within a sandbox structure with adequate isolation from core business practice. This includes dedication of sufficient resources to support implementation of the project.
- Human Resources
 - Appointment of a Product lead and team responsible for the project
 - Willingness and ability of staff to lead and execute the project, and support monitoring and evaluation during the project implementation
- Technology capabilities
 - Extraction and warehousing in cloud-based data mart
 - Data analysis tools (e.g., tableau, Power BI, Python)
- Customer segment
 - Operation in a low- and/or middle-income country
 - Serving MSEs as a key customer segment
- Other
 - Consent granted to CGAP to publish insights and lessons learned during the project implementation on an anonymized basis (unless agreed otherwise)
 - Participation in CGAP CoP to engage in peer-learning and information exchange. The engagement in the CoP will approximately involve weekly online check-in meetings with the rest of the cohort during the active pilot stage and irregular online sessions for 3-6 months after the CoP is joined by a larger group of MFIs (~10-20) to learn from (and potentially replicate) the pilots. The pilot participants will be expected to engage and share learnings with the larger group. The level of effort at that stage is estimated at 1-2 days/month
 - Consent to participate in the final M&E to measure the impact of pilots

Specific requirements only for **Measurement workstream** include:

1. A finalized or well-advanced digitization initiative (e.g., a customer app, field officer app, digitization of credit application process)
2. Readiness to share (access to) data and start the measurement work within a month after being selected (the work is expected to run for no more than 3 months)
3. Openness to continue the engagement if the measurement reveals potential for further collaboration (e.g., under the Automation workstream)

Specific requirements only for **Automation workstream** include:



1. Readiness to digitize and automate repeat loan process
2. Readiness to start piloting within three months after being selected (the actual pilots are then expected to run for about 9 months)

When applying, organizations should include the name of implementing partners (if any) and their role in the pilot execution. If partners are required for the pilot but they have not been identified yet, CGAP may support the applicant in the development of partnerships. Selection would be contingent on these partnerships being formed.

Process to Apply

- **Phase I:** Submit the Expression of Interest by **November 15, 2021**. Note: Participants could apply either or both for the Measurement workstream and/or the Automation workstream.
- **Phase II:** An expert panel comprising of members from CGAP's LiFi MSE project team will shortlist applicant EOI submissions. Shortlisted applicants will be asked to submit a detailed proposal by **November 22, 2021**.
- **Phase III:** The expert panel will review the applications and select the final candidates and may request additional information to finalize the selection process. CGAP will work with the selected applicants to develop a general project definition, goals, model for collaboration and terms of reference. Final partner selection is expected to be made by **December 1, 2021**. Pilots are expected to start in January 2022. The CoP is also expected to start in January 2022 with the pilot participants and expand to the larger group later in 2022.

Information on impact, results, main challenges, key success factors and lessons learned will be documented by CGAP and published across CGAP channels (reaching 500,000 unique users every year) to stimulate demand and help guide future innovation efforts in the sector. CGAP will not disclose any information without the consent of the pilot participants and would not publish or disclose sensitive competitive information.

About CGAP

The Consultative Group to Assist the Poor (CGAP) is a global partnership of more than 30 leading development organizations, investors and funders that works to advance the lives of poor people through financial inclusion. Using action-oriented research, we test, learn, and share knowledge intended to help build inclusive and responsible financial systems that move people out of poverty, protect their economic gains, and advance broader development goals. We research and experiment to achieve proof of concept and extract lessons that can be built to scale by our partners, who apply our insights in the marketplace.

Enabling poor people, especially women, to capture opportunities and build resilience is core to our work. We identify barriers and emerging solutions that have the greatest potential to deliver responsible financial services that meet the needs of poor people at scale. We view digital technologies as one of the critical means for reaching large numbers of poor people in cost-effective ways, and we focus on the special challenges for financial inclusion faced by women. In delivering on our mission of empowering poor people to use financial services relevant to their needs, we focus on three areas: income generation, essential services, and protecting basic standards of living.

To learn more about CGAP, visit www.cgap.org.