

# Terms of Reference

## Project Name: Financial Inclusion for Marginalized Women in Nepal Assessment of Core Banking System of Partner MFI

### 1. Background

Habitat for Humanity Nepal (Habitat Nepal), as part of the Habitat for Humanity International network, is a non-governmental organization that has been in existence for 24 years in Nepal. Habitat Nepal has worked to fulfill a vision where everyone has a decent place to live. Habitat Nepal serves the most vulnerable through the provision and promotion of decent housing, water & sanitation, housing microfinance, and advocacy on land and housing rights, emphasizing gender equality.

From August 2020, Habitat Nepal and its local project partner, Sahara Nepal, are implementing the "Financial Inclusion for Marginalized Women in Nepal" project in Nepal. The project is funded by Jersey Overseas Aid (JOA) from August 1, 2020, to July 31, 2024. Habitat Nepal is seeking to recruit an experienced consultant to assess the core banking system of two partner institutions, namely (1) Sahara Nepal Savings and Credit Cooperative Society Limited; and (2) FORWARD Microfinance Laghubitta Bittiya Sanstha Limited. Sahara currently uses MFIN Software developed by Synergy Tech Software Pvt. Ltd., whereas FORWARD uses core banking software developed by Uranus Tech Nepal Pvt. Ltd. The microfinance institutions in Nepal use this software. This software includes the client KYC tracking module, accounting module, loan tracking module, savings tracking module, and necessary reporting systems.

This Terms of Reference (TOR) defines the work carried out by an external consultant.

### 2. Objectives of the assignment

#### A. Objectives

The objective of the assignment is:

- To assess the current Core Banking System/MIS used by Sahara Nepal and FORWARD Nepal
- Identify gaps and recommend the need for improvements/upgrades of the application.

#### B. Scope of Work /Responsibilities

The consultant should focus on, but not limited to, the following content and considerations while assessing the core banking software of the partner institutions:

| Assessment category | Minimum areas of assessment |
|---------------------|-----------------------------|
|---------------------|-----------------------------|

|   |                             |  |
|---|-----------------------------|--|
| <b>Functionality</b>                          |                             | This section measures how a software product meets the requirements of different types of microfinance programs. The package should be able to cater to basic accounting and portfolio needs and provide appropriate loan and deposit monitoring functions.  |
|   | <b>Accounting Package</b>   | <ul style="list-style-type: none"> <li>• Savings and loans data can be consolidated into a general ledger</li> <li>• Chart of Accounts: by-product, assets or liabilities</li> <li>• Cash or Accrual style accounting</li> <li>• Tracking of cash-flow, revenues, and expenses</li> <li>• Permits entry of non-loan or deposit related income or expenses</li> <li>• Standard Financial Reports: balance sheet, income statement, cash flow statement</li> <li>• Trial Balances</li> </ul> |
|   | <b>Loan Portfolio</b>       | <ul style="list-style-type: none"> <li>• Integrated with the accounting system, deposit monitoring, and customer information</li> <li>• Permits the addition and modification of loan products</li> <li>• Permits the addition and modification of loan product's purpose</li> <li>• Correct loan portfolio aging and delinquency calculation mechanisms</li> <li>• Correct handling of early, late, early, and partial payments</li> </ul>  |
|   | <b>Savings and Deposits</b> | <ul style="list-style-type: none"> <li>• Integrated with the accounting system, deposit monitoring, and customer information</li> <li>• Permits the addition and modification of savings products</li> <li>• Permits different product types: term deposits, individual savings, checking accounts</li> <li>• Fees/expenses</li> <li>• Adjustable rates/terms</li> </ul>   |
|   | <b>Client Information</b>   | <ul style="list-style-type: none"> <li>• Maintains KYC with all basic information of the customer</li> <li>• Strong search capabilities</li> <li>• Facilities to check customer behavior: credit and deposit status; history from internal sources</li> </ul>  |
| <b>Expandability and Institutional Growth</b> |                             | Support of additional branches, including client and staff growth, integrated into the system. Generally, the expandability should permit the organization's growth and introduction of new services planning at least five years.   |
|   |                             | <ul style="list-style-type: none"> <li>• Number of branch offices it can support efficiently</li> <li>• Number of clients, accounts, and transactions it can handle with reasonable response times</li> </ul>  |
| <b>Flexibility</b>                            |                             | The software's ability to support different lending and savings products, payment methods, and interest calculation methods. Ability to handle multiple offices, either on a branch or regional level. How quickly can the system be updated to handle multiple branches, regions, new locations?  |
|   | <b>Lending</b>              | <p>Supports:</p> <ul style="list-style-type: none"> <li>• Group clients as well Individual clients</li> <li>• Declining principal payments (equal total payments or annuity method)</li> <li>• Equal basic payments, declining interest method</li> <li>• Service charge and fees</li> <li>• Regular and single payment loans</li> <li>• Repayment schedule is recalculated if the member pays in advance</li> </ul>   |

|                                 |                          |  |
|---------------------------------|--------------------------|--|
|                                 | <b>Savings</b>           | <p>Supports:</p> <ul style="list-style-type: none"> <li>• Basic savings account types: term deposits, savings, current, etc.</li> </ul> <p>Interest:</p> <ul style="list-style-type: none"> <li>• Can be calculated based on each 'day's ending balances</li> <li>• Supports different interest payment frequencies (monthly, quarterly, annual)</li> <li>• Rates can be changed simultaneously for a group of accounts (in one product)</li> <li>• Can be calculated as per actual calendar days 30 days/month and based on 365 or 360 days in a year</li> </ul>  |
|                                 | <b>Other Flexibility</b> | <ul style="list-style-type: none"> <li>• Customer-centric system: multiple accounts and account types allowed</li> </ul>   |
| <b>Usability</b>                |                          | Ability of the user to perform needed tasks efficiently and without errors.  |
|                                 | <b>Ease of Use</b>       | <ul style="list-style-type: none"> <li>• Comprehensive training to end-users is provided</li> <li>• User documentation or online help is supplied</li> <li>• Straightforward and easy to understand operations</li> <li>• Errors in already entered data can be fixed (such as incorrect loan parameters, etc.)</li> <li>• The system does not malfunction on invalid data entry</li> <li>• Easy to install and maintain, end of period processing is simple and straightforward</li> <li>• The layout and logic of screens and menus is good and consistent</li> <li>• Different users can be restricted to certain menu operations</li> <li>• Screen language and messages use consistent verbiage</li> <li>• Consistent and logical use of color, where appropriate</li> <li>• Colors are chosen to make screen information easy to read</li> <li>• All major functions can be accessed with a mouse or keyboard</li> <li>• Fast data entry is possible by using only a keyboard</li> <li>• Allows for bulk entry and bulk payment</li> </ul> |
| <b>Reporting</b>                |                          | Adequacy and accuracy of the standard reports produced by the system. Includes ease and useability of the different reports. Evaluate the mechanism through which reports are created and the possibility to develop user-definable reports.   |
|                                 |                          | <ul style="list-style-type: none"> <li>• Contains major reports</li> <li>• Report formats are clear and readable</li> <li>• Provides key statistical summaries and cash-flow projections for management purposes</li> <li>• Can provide daily listings, daily delinquency reports, portfolio quality reports</li> <li>• Error-catching reports in place</li> <li>• Trial balances report in place, daily transactions reports, sub-ledger reports, periodic financial statements</li> <li>• Transaction trail (actions taken by each user) can be printed</li> <li>• Provides printouts for members: transaction slips, periodical statements, balance printouts</li> <li>• Provides a way to store 'report's output (i.e., in DBF/PDF/XLS/DOC file) for later viewing</li> <li>• By default, the system generates reports frequently (i.e., at the close of each business day), and reports are useful for the intended audience</li> </ul>   |
| <b>Standards and compliance</b> |                          | The topic area asks whether the accounting and portfolio portion of the software product meets generally held standards and processes accounts in a sound and consistent way. In addition, does the software meet regulations, and how easy can it be adjusted to meet these?  |
|                                 |                          | <ul style="list-style-type: none"> <li>• The software can be modified to meet local requirements without major updates</li> <li>• Adheres to GAAP and IAS provisions</li> <li>• Supports accruals as well as a cash accounting method</li> </ul>   |

|  |   |
|--|---|
|  | <ul style="list-style-type: none"> <li>• Partial and late loan payments are posted accurately</li> </ul>  |
| <b>Administration and support</b>                                | This section evaluates the security of the system, its backup and recovery features. In addition, it evaluates the vendor's support, maintenance, and upgrade strategies.   |
| <b>Security</b>  | <ul style="list-style-type: none"> <li>• Provides for different levels of access to menus/data elements based on user level</li> <li>• Enforces use of user passwords</li> <li>• The database is secure, unauthorized tampering with data is prevented</li> <li>• The system provides notifications when tampering is detected</li> </ul>   |
| <b>Backup and recovery</b>                                       | <ul style="list-style-type: none"> <li>• Backups are required periodically and can be done in a reasonable amount of time</li> <li>• The full recovery process is reasonably simple and quick and can be done by internal staff</li> <li>• After abnormal termination will correctly complete or restart transactions not completed</li> </ul>  |
| <b>Fault Tolerance and Redundancy</b>                            | <ul style="list-style-type: none"> <li>• Workstations are notified of transactions not completed due to network/hardware failure</li> <li>• In case of any hardware failures system can exit ""gracefully"" by providing a meaningful error message</li> </ul>  |
| <b>End of Period Processing</b>                                  | <ul style="list-style-type: none"> <li>• Interest is processed, accrued, and posted at proper intervals</li> <li>• Late fees and/or penalties are calculated and posted</li> </ul>  |
| <b>Support Infrastructure, Maintenance, and Upgrade Strategy</b> | <ul style="list-style-type: none"> <li>• The vendor is financially stable</li> <li>• Support offices are present in close vicinity to proposed installations</li> <li>• The support staff is knowledgeable and numerous enough to handle the demand</li> <li>• Upgrades are planned well in advance; there is a clear upgrade strategy in place</li> <li>• Upgrades are not too frequent</li> <li>• There is a reasonable number of versions currently in use, and all of them are supported</li> <li>• The source-code version control system is in place</li> <li>• New versions are implemented in parallel mode</li> <li>• The vendor can provide a full range of consultancies to customers</li> <li>• Vendor provides manuals for end-users, administrators, and training purposes</li> <li>• Help file supplied by the vendor</li> </ul>   |
| <b>Technical Specifications and Correctness</b>                  | Analyzes the programs and programming language of the software, the type of network and hardware it is designed to work on, and their implications for future performance. In addition, the system's overall performance in terms of speed and storage requirements should be assessed.   |
|  | <ul style="list-style-type: none"> <li>• The database platform used is not proprietary but rather a mainstream package</li> <li>• Uses standard (mainstream) operating systems</li> <li>• Able to run on modest hardware</li> <li>• The company uses appropriate mainstream programming language for the development</li> <li>• Appropriate infrastructure to support trouble-free development and support is in place</li> <li>• The system performs adequately on the stated minimal hardware platform, user interface speed is good, reports can be run quickly</li> <li>• The system is capable of processing a wide range of dates both in the past and future, including large numbers</li> <li>• There are clearly stated performance limits depending on the number of accounts, transactions, or concurrent users</li> <li>• Disk space requirements are clearly stated</li> </ul> |
| <b>Addition of other banking solutions</b>                       | Other banking solutions like tab banking, mobile banking, POS, and payment systems like Khalti and E-Sewa can be added. The vendor should agree to provide an interface to the other banking solutions. Similarly, the software should have provision to integrate data for credit information bureau (CIB), reporting tool for Nepal Rastra Bank, etc.   |

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| Any other identified by the consultant |  |
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### C. Partner Institution Visit

The consultant should visit the head office of the following institutions:

1. Sahara Nepal SACCOS, Head Office, Charpane, Jhapa
2. FORWARD Microfinance Laghubitta Bittiya Sanstha Limited, Head Office, Duhabi, Morang
3. Synergy Tech Software Pvt. Ltd., Kathmandu
4. Uranus Tech Nepal Pvt. Ltd., Kathmandu

### 3. Deliverables

The expected deliverables of the assignment are as follows:

- a. A short inception report with work plan within seven days of signing the agreement
- b. Debriefing to Habitat Nepal after field visit- a short PPT presentation
- c. Draft report for Habitat 'Nepal's feedback and comments
- d. Final report after incorporating feedback and comments

### 4. Time Frame

The consultant should complete the assignment within 45 days, including preparation, field visit, and report writing.

|   | Deliverables     | Suggested Completion Date |
|---|------------------|---------------------------|
| 1 | Inception Report | February 20, 2022         |
| 2 | Field visit      | February 28, 2022         |
| 3 | Draft report     | March 15, 2022            |
| 4 | Final report     | March 31, 2022            |

### 5. Budget

The budget for the consultancy should include all relevant costs, including professional fees, travel, local transport, accommodation, etc., in the format given below. In addition, a detailed and easy-to-follow budget is expected with budget notes.

| S.N.             | Particular                                     | Qt. | Day | Rate | Amount |
|------------------|--|-----|-----|------|--------|
| 1                | Team Leader                                    | 1   | xxx | xxx  | xxx    |
| 2                | XXXX   |     |     |      |        |
| 3                | Flight fare (KTM-BRT-KTM)                      |     |     |      |        |
| 4                | Hotel Accommodation                            |     |     |      |        |
| 5                | Food and water expenses                        |     |     |      |        |
| 6                | Local travel during field visit (Vehicle hire) |     |     |      |        |
| 7                | Taxi at Kathmandu                              |     |     |      |        |
| <b>Sub-total</b> |  |     |     |      |        |

|                  |                    |  |
|------------------|--------------------|--|
|                  | VAT@13%            |  |
|                  | <b>Grand total</b> |  |
| Amount in words: |                    |  |

Note: xxxxxxxx

## 6. Documents Required

- Copy of firm registration certificate; not applicable for individuals
- Copy of tax clearance certificate F.Y. 2020/21, applicable for firm
- Copy of VAT registration certificate, applicable for firm
- CV of expert involved

## 7. Required qualification and experiences

The consultant should have the following qualification and experiences:

- Has at least a Bachelor degree in I.T. or Computer Science or Software Application
- Minimum of 3 years of experience managing and implementing banking software/MIS.
- Experience in banking operations, products, and services
- Knowledge of related technology is recommended: e.g., relational database management and virtualization software, VPN, or Internet-based networks solutions.

## 8. Requirement for submission of proposal

- A technical proposal based on the scope of work mentioned in the Section 2 B of this TOR
- A financial proposal in the format given in Section 5 of this TOR
- Names and contacts of at least two recent professional referees (previous clients) for similar work have been conducted.
- Names and C.V.s of individuals or team members proposed, highlighting their experience relevant to this study and their roles in the achievement of the assignment.
- Copy of firm registration certificate; not applicable for individuals
- Copy of tax clearance certificate F.Y. 2020/21, applicable for firm
- Copy of VAT registration certificate, applicable for firm

## 9. Application

Interested firms/individual should submit their Technical and Financial Proposal, including testimonials/certificates, to [procurement@habitatnepal.org](mailto:procurement@habitatnepal.org). Please write **the Proposal-CBS assessment in the email's subject line** and submit the proposal no later than January 31, 2022. Those firms/individuals



interested in submitting their proposal (Technical and Financial in a separate sealed envelope) in hardcopies, please send it to the National Director at Habitat for Humanity International- Nepal, Sanepa Chowk Lalitpur – 2, P.O. Box: 24037, Kathmandu, Nepal.

## Proposal Evaluation Criteria

Scoring of criteria evaluations:

| S.N. | Summary of proposal evaluation             | Score weightage (%) |
|------|--|---------------------|
| 1    | Technical Evaluation Criteria <sup>1</sup> | 70%                 |
| 2    | Financial Evaluation Criteria              | 30%                 |
|      | <b>TOTAL SCORE</b>                         | <b>100%</b>         |

### Evaluation criteria

Proponents shall submit in the Technical Proposal all information and support documentation required to perform a complete evaluation of the proposal according to the criteria described in the table below:

| S.N.     | Criteria  | Score            |
|----------|---|------------------|
| <b>1</b> | <b>Technical approach</b>   |                  |
| 1.1      | Completeness of response (proposed elements of the research as per TOR; ability of the firm/candidate to provide the whole set of services required)                                  | 10 points        |
| 1.2      | The project timeframe complies with the deadline of the TOR. The sequence of activities and the planning is logical and realistic and promise efficient implementation to the project | 10 points        |
| 1.3      | Demonstrated experience in managing/advising core banking software of financial institutions  | 25 points        |
| 1.4      | Proven experience of assessing various software with client name and address  | 25 points        |
|          | <b>TOTAL SCORE IN TECHNICAL PROPOSAL</b>  | <b>70 points</b> |
| <b>2</b> | <b>TOTAL SCORE IN FINANCIAL PROPOSAL</b>  | <b>30 points</b> |

Financial proposal should include detailed breakdown of all listed tasks and deliverables. The maximum number of points will be allotted to the lowest price proposal that is opened and compared among those invited bidders who obtain the **threshold points (50 points)** in the evaluation of the technical component. All other financial proposals will receive points in inverse proportion to the lowest price, e.g.

$$\text{Score for proposal A} = \frac{\text{Max score for financial proposal} \times \text{price of lowest priced proposal}}{\text{Price of proposal A}}$$

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<sup>1</sup> If necessary, Habitat Nepal will call all bidders for presentations on their technical approaches.