



**Credit Guarantee Fund Trust for Micro and Small Enterprises
(CGTMSE)**

**Expression of Interest (Eoi) for carrying out
Impact Assessment Study
on the operations of CGTMSE**

Last date of submission of EOI	May 06, 2019 (17:00 hours)
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Eols to be submitted in sealed cover, superscribing “EOI for carrying out Impact Assessment Study on the operations of CGTMSE” at the following address :

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EoI No. 22/CGTMSE/2019-20 dated April 26, 2019

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Terms of Reference (TOR)

Study on impact of CGTMSE Scheme on MSEs in India

Introduction

CGTMSE was set up in 2000 by Ministry of Micro, Small and Medium Enterprises, Government of India (GoI) and SIDBI to facilitate credit guarantee support to collateral free / third-party guarantee-free loans to the Micro and Small enterprises, who are generally considered to be a high risk lending, especially in the absence of collateral. It facilitates access to finance for un-served and under-served geographies, making availability of finance from conventional lenders to new generation entrepreneurs and under privileged, who lack supporting their loan proposal with collateral security and/or third party guarantee.

With increased focus on MSE lending, CGTMSE has undergone transformative reforms since 2017 to expand the scope of its schemes to uncovered segments like partial collateralized loans and amongst uncovered lenders like NBFCs. CGTMSE has been established to not only improve access to finance for MSEs but also to act as a means to deliver other important results such as investment and jobs.

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 study on impact assessment of CGTMSE i.e., resultant change associated with the involvement of CGTMSE. Idea is to move away from the traditional measurable outputs and have an assessment around whether CGTMSE has achieved its intended goal of improving access to finance for MSEs and contributing to economic development.

Overall Objective

CGTMSE is intending to carry out an impact assessment study for both financial additionality and economic additionality for the scheme. Financial additionality refers to incremental credit volumes granted to eligible MSEs because of CGTMSE. These extensive margin effects include access to credit for MSEs that otherwise would not be able to obtain financing as well as higher loan amounts. On the intensive margin, financial additionality includes more favourable conditions for eligible MSEs in loan size, pricing and maturities, and reduced amount of collateral required to obtain credit. Economic additionality refers to the economic welfare that the CGTMSE has been able to create as a result of its operations. In particular, economic additionality speaks to the effect of guarantees on output, investment and employment.

The study would have objectives, as mentioned below.

- (a) Document Impact of CGTMSE at the end user level, dealing with issues of attribution as objectively as possible;
- (b) Understanding the role played by CGTMSE in improving the overall economic additionality in terms of effect on output, investment and employment

Assessing the impact of CGTMSE scheme on MSEs in India

The impact evaluation of a CGTMSE involves evaluating the changes in the outcomes of interest that can be attributed to the scheme itself. Therefore, the key challenge in carrying out a meaningful impact evaluation is to identify the causal relationship between the CGTMSE scheme and the outcomes of interest. In other words, the impact evaluation looks for changes in the outcome of interest that are directly attributable to the CGTMSE scheme. The focus on attribution and causality is the hallmark of impact evaluation and determines the methodology to be used.

In order to estimate the causal impact of CGTMSE scheme on outcomes, any methodology chosen must estimate the so-called counterfactual, that is, what the outcome would have been for eligible MSEs had they not participated in the scheme. To be truly additional and achieve its policy objectives, CGTMSE scheme must ensure that beneficiary MSEs obtain outright financing and/or improved terms and conditions that would not otherwise obtain if it was not for the guarantee they receive (financial additionality). Furthermore, guaranteed MSEs are expected to contribute more to investment, exports, job creation, value added and other relevant economic outcomes than non-guaranteed MSEs (economic additionality).

Causal Inference and Counterfactuals

The impact evaluation essentially constitutes a causal inference problem. Assessing the impact of CGTMSE scheme is equivalent to assessing the causal effect of the policy on the outcomes of interest (loan amount, interest rate, maturity, collateral, investment, sales, export, jobs). One can think of the impact of CGTMSE scheme as the difference in the outcome of interest for the same MSE with and without the guarantee. Yet measuring the same firm in two different states at the same time is impossible. This is what is commonly referred as “counterfactual problem”. Solving the counterfactual problem requires the identification of a perfect duplicate of the guaranteed MSE. Though no perfect duplicate exists for a single MSE, statistical techniques exist that can be employed to generate two groups of MSEs that, if large enough, are statistically indistinguishable from each other. In practice a key objective of the impact evaluation is to identify a group of guaranteed MSEs (treatment group) and a group of non-guaranteed MSEs (control group) that are statistically identical in the absence of the Credit Guarantee Scheme (CGS) intervention and estimate the average impact of the CGS rather than the impact on each MSE. An ideal control group should be statistically identical to the treatment group in terms of both observable (such as past profitability, size, owner characteristics, etc.) and unobservable (such as owner motivation, preferences, etc.) characteristics. If the two groups are identical with the only exception that one group is guaranteed by the CGS and the other is not, then any difference in the outcomes of interest can be attributed to the CGS.

Development of Impact Assessment Framework

Identifying the Evaluation Questions

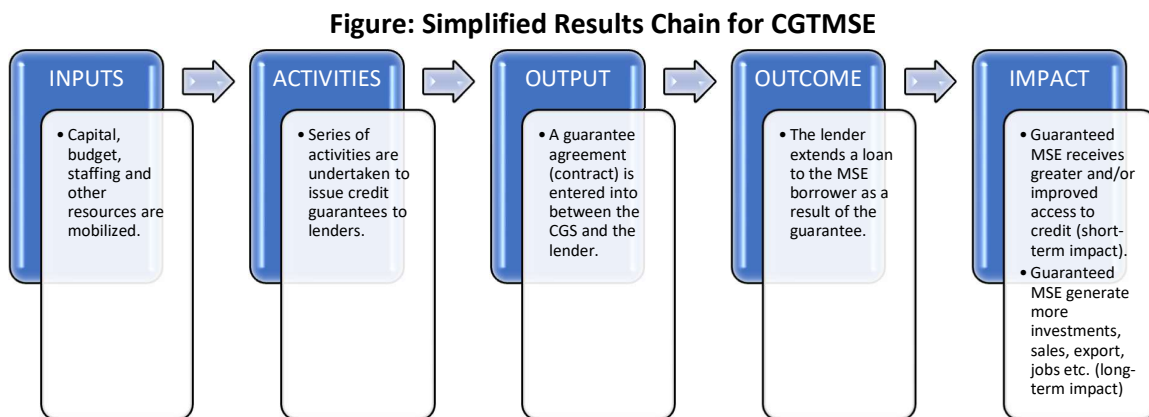
The starting point of the impact evaluation would consist of formulating a study question or a set of study questions that focuses the research and that is tailored to the public policy interest. In other words, the research question should draw from the mandate and policy objectives of the CGTMSE

described in its mission statement. The assessment then involves generating credible evidence to answer that question.

Operational Chain for CGTMSE

A basic results chain for CGTMSE, which is described in Figure below, will map the following elements:

- *Inputs*: resources available to the CGTMSE, including capital, operating budget and staff.
- *Activities*: work performed to issue credit guarantees
- *Outputs*: the tangible service produced by the CGTMSE, i.e. a guarantee agreement or contract.
- *Outcome*: the result likely to be achieved once the partner lender uses the output that is the guarantee agreement and extends a loan to the MSE borrower.
- *Impact*: the guaranteed MSE obtains better access to credit than it would otherwise (financial additionality). However, the impact concerns also longer-term goals such as MSE’s increased contribution to economic development (economic additionality).



Based on the results chain outlined above, it is possible to formulate the hypotheses to be tested using the impact evaluation. Specifically, the hypotheses to be tested will be the following:

- The CGTMSE also entails first-time MSE borrowers to enter the formal financial system.
- Guaranteed MSE borrowers obtain higher volumes of credit than non-guaranteed MSEs.
- Guaranteed MSEs pay lower interest rates than non-guaranteed MSEs.
- CGTMSE allows guaranteed MSEs to obtain longer loan maturities than non-guaranteed MSE borrowers.
- Guaranteed MSE borrowers benefit from reduced collateral requirements.
- Guaranteed MSEs generate more investment, sales, export, jobs etc. than non-guaranteed MSEs.

Some of the outcome variables, to be tracked are:

- *Financial additionality – (short-term impact)*
 - Loan amount
 - Loan collateral
 - Loan interest rate
 - Loan tenor (months/years)

- *Economic additionality (long-term impact)*
 - Firm employment (number).
 - Firm investment/value added
 - Firm sales
 - Firm exports

Assessment Methodology

The selected vendor is expected to come up with a detailed methodology for the Impact evaluation comprising of both the quantitative approach and the qualitative approach.

Quantitative evaluation would involve assessment of the impact of programs through a comparison of outcomes between the group in receipt of the guarantees and some form of “control group”, for example a similar group of MSEs that have not benefited from the guarantees or the same MSEs before and after receipt of CGS support. Such data may be collected directly from the firms themselves, from official data or from both.

Qualitative assessments would be based on opinions of program participants and stakeholders about the policy, its success, and its limitations. Through surveys, interviews, focus groups, and/or case studies, the vendor is expected to collect additional information that sheds light on the satisfaction of participants, on the relevant mechanisms responsible for the impact of the intervention, and on general feedback to adjust and improve the operation of the policy or intervention.

Data Collection

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. The study shall be carried out through Field Research (interaction with lending institutions, CGTMSE 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.

Unit of analysis - The MSE unit / borrower under CGTMSE 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 CGTMSE guarantee) 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.

Sampling: The survey would consist of sample of suitable MSE borrowers covered under CGTMSE scheme representing stratified random sample, from various Regions/States, type of intermediary, type of loan spread across various geographical areas and different products of CGTMSE

Competency and Expertise Requirements

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.

The selected agency will have

- Comprehensive knowledge of micro and small enterprise sector policy and practice.
- Comprehensive knowledge of best practices in impact assessment methodologies for microfinance / micro enterprises / small enterprises and in other areas of economic and social development or market research.
- Experience of designing and conducting impact assessments or market research using both quantitative and qualitative methodologies with both PAPI and CAPI methods.
- An excellent record in socio-economic research in India.
- A demonstrated ability to undertake research on a national basis, to manage a range of sub-contractors and forge effective partnerships at national level.
- The following key professionals shall invariably be part of the team till completion of the project.
 - At least one Postgraduate in Economics / Statistics /Applied Economics with experience of not less than 5 years in consultancy in economics and finance and statistical models for banks and financial / Institutions.
 - At least one C.A./M.B.A/PGDBM with experience not less than 5 years in consultancy / developing business strategies for banks and financial institutions.

Expression of Interest

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

- Documents supporting experience of firm in having conducted various studies/surveys on Indian economy and in particular BFSI sector.

- Experience in having published documents/publications on banks and banking sector including on microfinance / micro enterprise sector.
- 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.
- Key personnel and their academic and professional qualifications.
- Experience of key personnel in dealing with banks and financial institutions including micro finance / micro and small enterprise sector matters.
- Turnover and net profit for the last 3 financial years of the firm submitting the EOI.
- All the agencies/organizations applying for the EOI shall be governed by the provisions of integrity pact.

Presentations & Discussions

- ✓ Consultants who have submitted EOI response may have to make a presentation / carryout discussion on the modalities of executing the scope of work mentioned above.

CGTMSE may, at its sole discretion, issue a Request for Proposal (RfP) for the above scope. CGTMSE reserves the right to amend the proposed requirements, eligibility criteria, the description of services required or any other aspect of this EOI document.

CGTMSE also reserves the right to cancel/modify/scrap the process at its discretion without assigning any reason. Any corrigendum / addendum / modifications or any other development shall be notified over CGTMSE website (www.cgtmse.in).
