

Terms of Reference for Market Analysis for the Financial Sector with particular focus on NBFI services

1. Introduction

This document outlines the Terms of Reference (TOR) for a market analysis of the financial sector with particular focus on NBFI services. The purpose of this analysis is to gain a comprehensive understanding of the current state, trends, and future prospects of the financial sector/NBFI, relevant for future business of MFI-Kreditimi Rural i Kosoves LLC (KRK). Kreditimi Rural i Kosoves LLC, is microfinance institution registered with CBK, operating in Kosovo with 29 branches.

2. Objectives

The specific objectives of the market analysis with focus in NBFI services, are to:

- Conduct a comprehensive analysis of the financial services market, both locally and globally.
- Identify market trends, growth opportunities, and potential challenges.
- Analyse the competitive landscape, including existing NBFI players and their market share and product/service offerings.
- Assess the demand for NBFI services among target customers and segment. General overview of financial sector (bank, MFI and NBFI).
- Identify key market segments and their growth potential related to activities of MFI /NBFI.
- Assess the regulatory environment and its impact on the financial sector.
- Evaluate the key trends and technological advancements shaping the MFI/NBFI.
- Identify customer needs, preferences, and buying behaviour within the MFI/NBFI sector.
- Determine the potential risks and opportunities for KRK in the financial market of MFI/NBFI.

3. Scope of Work

The market analysis will encompass the following areas:

General overview of financial sector (banks, MFI-s and NBFI-s)

Market Size and Segmentation:

- Analyse the overall size of the NBFI and its segmentation into different sub-sectors as:
 - Lending;
 - Leasing/ concluding loan and renting agreements;
 - Investment adviser
 - Factoring
 - Guarantees
 - Transferring and receiving money and payment services for payments within and outside the country (hereinafter payment service)
 - Currency exchange
 - Issuance of electronic money

Competitive Landscape: Identify and profile key players in the MFI/NBFI market, assess their strengths and weaknesses, and analyse their market share and product/service offerings.

Regulatory Environment: Evaluate the current and upcoming regulations impacting the financial sector, and their potential influence on market dynamics

Industry Trends: Identify and analyse key trends shaping the financial industry, such as FinTech, digitalization, and changing customer preferences.

Customer Analysis: Research customer needs, preferences, and buying behaviour within the NBFI sector. This may involve conducting surveys, focus groups, or analysing existing data.

Risk and Opportunity Assessment:

- Identify potential risks and opportunities for RK in the NBFI market, based on the findings of the analysis.
- Identify and evaluate the risks associated with the transformation process and operating as an NBFI.
- Discuss strategies for mitigating these risks, including regulatory compliance, credit risk management, and liquidity management.
- Emphasize the importance of robust risk management practices to ensure the stability and resilience of the NBFI.

Business Model and Strategy:

- Define the proposed business model for the NBFI, including its products, services, and target customer segments.
- Outline the strategic approach for market penetration, growth, and sustainability.
- Highlight any unique selling propositions or competitive advantages that differentiate the NBFI from existing players.

Transformation process:

- Outline the steps involved in transitioning from an MFI to an NBFI.
- Detail the legal and regulatory requirements for this transformation, including any necessary licenses or approvals.
- Describe the timeline and milestones for the transformation process, highlighting key activities and responsibilities.

Financial Projections:

- Present financial projections for the NBFI, including income statements, balance sheets, and cash flow forecasts.
- Assess the expected financial performance and profitability of the NBFI over the short, medium, and long term.
- Include sensitivity analyses to demonstrate the impact of key assumptions and variables on financial outcomes.

Implementation Plan:

- Provide a detailed implementation plan for executing the transformation process and launching the NBFI.
- Specify resource requirements, including human capital, technology, and infrastructure.

- Define roles and responsibilities within the organization for executing the plan effectively.

Conclusion:

- Summarize the key points of the bidding proposal, reiterating the benefits of transforming into an NBFi.
- Express confidence in the success of the transformation process and the potential of the NBFi to achieve its objectives.
- Encourage further discussion and collaboration to move the proposal forward.

4. Deliverables

The final deliverable of the market analysis with focus on NBFi services, will be a comprehensive report that includes:

- **Diagnostics report**, including but not limited to:
 - Executive Summary
 - Market Overview of MFI and NBFi (size, segmentation, growth potential)
 - Competitive Landscape Analysis
 - Regulatory Environment Analysis
 - Industry Trends Analysis
 - Customer Analysis
 - Risk and Opportunity Assessment
 - Business Model and Strategy
 - Infrastructure compliance, e.g. legally, technically, staff and economically
 - Appendices; Include any additional supporting documentation, such as regulatory filings, market research reports, or financial models.
- **Meetings:**
 - The company/consultant should **organise & moderate the Strategy session workshops** based on outcomes of Market analyses and diagnostics, **on first week of July, 2024 – 1 onsite meeting;**
 - **2 times follow-on online Strategy session workshops** for management/BoD.
- **Presentation of the final report** to BoD and Management team of KRK, including but not limited to:
 - Transformation process planning
 - 5 years Financial Projections of transformation
 - Implementation Planning (A-Z)
 - Final Summary report/ Conclusions

5. Methodology

The market analysis will employ a combination of research methodologies, including:

- Desk research: Utilize existing industry reports, financial data, and government publications.
- Primary research: Conduct surveys, interviews, and focus groups with industry experts and potential customers of MFI /NBFi-s.
- Data analysis: Analyse quantitative data to identify trends and patterns of MFI/NBFi-s.

6. Timeline

The market analysis is expected to be completed by **25 August 2024**. A detailed breakdown of the research phases and deliverables timeline to be provided in the proposal.

7. Qualifications of the Analyst

The analyst conducting the market analysis should possess the following qualifications:

- Strong understanding of the financial sector and NBFIs and its dynamics.
- Experience in conducting market research and analysis.
- Excellent analytical and research skills.
- Strong communication and writing skills.

8. Costs of services for Market analyses

A detailed budget outlining the costs associated with conducting the market analysis to be provided in the proposal.

9. Submission of Proposals

Interested parties should submit a proposal outlining their methodology, qualifications, timeline, and budget for conducting the market analysis in English language. The deadline for proposal submission is **30 May 2024**.

The submission of proposal can be done through email krk_imf@krk-ks.com through post or in the office of KRK in following address:

Kreditimi Rural i Kosoves LLC
Street Behije dashi No.20, Prishtina
Kosovo

10. Selection Process

KRK will evaluate proposals based on the following criteria:

- Understanding of the project objectives and scope of work.
- Proposed methodology and research approach.
- Qualifications and experience of firm and the team.
- Proposed timeline and cost.

11. Submission of Market analyses to KRK and workshops

The final document of Market analyses, as per ToR/contract, should be submitted to KRK in English language, **no later than 25 August 2024**.

The submission of Market analyses, should be through email krk_imf@krk-ks.com through post or in the office of KRK in following address:

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Street Behije dashi No.20, Prishtina
Kosovo