Terms of Reference (TOR)

Feasibility Study on the Potential of a Cashless Cluster under SMART Project
(Package No: PKSF/SMART/S-16)

1. Background

The Palli Karma-Sahayak Foundation (PKSF) was established in 1990 by the Government of Bangladesh to alleviate poverty and create sustainable employment opportunities. Initially focused on channeling microcredit through Partner Organizations (POs), PKSF has since expanded its scope to include financing for the moderate poor, ultra-poor, micro-entrepreneurs (MEs), and marginal and small farmers in both rural and urban settings.

Since 2001, PKSF has operated a microenterprise program (Agrosor), which provides larger loans to progressive microcredit borrowers. Microenterprises are vital to Bangladesh's economy, contributing 25% to GDP and 56% to employment. These enterprises span key sectors including agriculture, livestock, fisheries, garments, light manufacturing, trade, and services.

To promote climate-resilient, resource-efficient production, PKSF has launched the "Sustainable Microenterprise and Resilient Transformation (SMART)" project, targeting over 80,000 microenterprises across Bangladesh. As part of its modernization agenda, PKSF is exploring the feasibility of introducing "cashless clusters" to enhance financial inclusion, digital literacy, and business efficiency.

2. Definition and Rationale

A "cashless cluster" refers to a geographically or sectoral defined group of microenterprises operating primarily through digital financial transactions. This includes digital payment systems for business-to-business (B2B) and business-to-consumer (B2C) transactions, integration with mobile financial services (MFS), digital savings, and credit mechanisms. Such clusters can improve transparency, reduce transaction costs, expand access to formal finance, and foster inclusive growth.

3. Objectives

Overall Objective: To determine the feasibility and implementation mechanisms for establishing a cashless cluster model to promote digital financial inclusion and efficiency among microenterprises.

Specific Objectives:

- To analyze the fund (loan and savings) management mechanisms between POs and microenterprises;
- To assess the transaction ecosystem and expenditure structure of selected microenterprises;
- To evaluate digital infrastructure and literacy levels;
- To define the operational model, cost structure, stakeholder roles, and institutional framework for a cashless cluster;
- To propose a scalable and adaptive implementation roadmap, including risk mitigation and inclusive design considerations.
- To assess the behavioral pattern of the MEs

4. Scope of Work

The consultant will undertake, but not be limited to, the following tasks:

- Review relevant policies, digital finance regulations, and the financial ecosystem for MEs;
- Map current practices in ME loan disbursement, repayment, and savings behavior;
- Analyze ME transaction patterns (B2B, B2C, utility payments, taxes);
- Assess digital infrastructure, mobile/broadband access, and availability of FinTech/MFS agents;
- Conduct market readiness assessment, including stakeholder interviews (e.g., microenterprise owners, consumers), to evaluate adoption

willingness, trust in digital systems, and awareness of existing services such as MFS and digital wallets.

- Conducting a comprehensive assessment of the digital literacy and technological capacity of microenterprise owners and their customers.
- Conduct stakeholder mapping (MEs, POs, DFS providers, regulators, consumers);
- Analyze the cost and affordability of transitioning to digital operations;
- Examine gender, disability, and geographic dimensions of digital financial inclusion;
- Identify risks (e.g., digital fraud, exclusion, data privacy) and propose safeguards;
- Propose a scalable and replicable implementation mechanism to ensure sustainability and potential expansion of the cashless model across similar contexts.
- Identifying the opportunities and challenges of transformation of the cashless cluster.
- Assessing the behavior of the MEs regarding the cashless transactions.

5. Methodology

A mixed-methods approach will be adopted, combining:

- **Quantitative survey**: Minimum sample of 400 using random sampling, with clearly defined distribution across selected clusters (based on SMART sectors);
- **Qualitative assessments**: Focus Group Discussion (FGDs), Key Informant Interviews (KIIs), and In-depth Interviews (IDIs) with ME owners, customers, POs, Digital Financial Services (DFS) agents, and regulators (sample justification based on literature);
- **Econometric and statistical analysis**: To examine enabling factors and constraints;

- **Digital mapping**: Infrastructure, network availability, and transaction volume analytics;
- Ethical clearance and data protection protocols must be observed.

6. Duration and Deliverables

Total assignment duration: 4.5 months.

Sl.	Deliverable	Timeline
1	Inception Report (with work plan, methodology, data tools)	21 days after contract
2	Draft Report (including preliminary findings)	90 days after contract
3	Final Report (with implementation roadmap)	110 days after contract
4	Dissemination Workshop	135 days after contract

All deliverables must be submitted in English. Key data collection instruments (survey tools, interview protocols) must also be provided in Bangla.

6.1 Special instruction for the submission of deliverables: If the consultant fails to submit the deliverables on time, s/he will carry a negative remark for future procurements of PKSF.

7. Consultant Qualifications

Education:

- Master's degree in Economics, Finance, Business Administration, Development Studies, Management, Statistics, or related field. Bachelor's in a similar discipline will get preference.

Experience:

- Eight (08) years of relevant research experience;
- Two (02) nos. of completed feasibility studies in the last five years;
- Demonstrated work with MFIs, FinTechs, or development agencies;
- Work experience with international development partners/ development partner-funded programs (e.g. World Bank, UN, DFID, EU);

- Experience in microenterprise (ME) development projects or digital finance related projects.

8. Payment Schedule

Milestone	Payment (%)
Acceptance of Inception Report	20%
Acceptance of Draft Report	40%
Acceptance of Final Report & Dissemination Workshop	40%

9. Professional Standards & Confidentiality

- The consultant is expected to maintain high ethical standards, due diligence, and regular consultation with PKSF and the World Bank.
- All outputs are the property of PKSF and cannot be reused without written permission.

10. Institutional Arrangement

The consultant will work closely with the SMART Project Management Unit (PMU) and report to the Project Coordinator. Coordination with World Bank officials and POs will be essential.

11. Rights

- PKSF retains Intellectual Property Rights (IPR) of all outputs.
- PKSF may modify or cancel the assignment as necessary.

12. Selection Process

Selection of consultant will follow the Individual Consultant (IC) selection method as described in the World Bank Procurement Regulations (Sept 2023).

Annex-1

List of the Sub-sectors under SMART Project

Sl. No.	Business Area (3)	Sector (9)	Sub-sectors (21)
1	Agriculture	Horticulture	High-value crops (vegetables, fruits, tea, and so forth)
2		Livestock	Cattle & buffalo
3			Poultry
4		Aquaculture	Pisciculture
5	Manufacturing and processing	Footwear & leather products	Leather products
6		Mini textile	Mini garments
7			Loom
8			High value-handicrafts rural area
9		Light engineering	Machinery & equipment
10			Eco-friendly construction materials
11			Metal products (imitation, metallic, steel)
12		Plastic recycling	Plastic recycles
13		Food processing	Salt processing
14			Dry fish processing and trade
15			Rice mill
16			Jaggery processing
17	Service	Service	Eco-friendly tourism development
18			New logistics, packaging, transportation including courier service, IT services
19			Existing and new waste-management services
20			Restaurants, street and bakery food
21			Automobile workshop

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