

# Microfinance industry gets 'Code for Responsible Lending'

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More than 90 entities sign up for the Code, with more expected to follow

Microfinance Institutions Network (MFIN) and Sa-Dhan, the RBI-recognised self-regulatory organisation and industry association for the microfinance industry, along with FIDC, have jointly released the 'Code for Responsible Lending' (CRL) for the micro credit industry.

The CRL was launched at Sa-Dhan's 15th Annual National Conference in New Delhi on Monday.

The CRL is sector-specific and entity-agnostic. In addition to the CRL, a revised industry Code of Conduct (CoC) was also released for Microfinance Institutions (MFIs) that will act as a binding and compulsory set of principles with respect to lending practices.

Manoj Nambiar, Chairperson, MFIN, said: “This is a significant self-regulatory step across all RBI-regulated entities and others that aims at safeguarding the interests of low-income customers through enhancing transparency and compliance.

“We are happy to note that more than 90 entities have signed up for the CRL as ‘responsible lenders’, and are hopeful that soon all microfinance lenders will come forward to endorse and adhere to it.”

Vijayalakshmi Das, Chair, Sa-Dhan, said: “This launch is in line with our objective of furthering responsible finance across the entire sector. Many lenders of diverse legal form are coming on board, as the code engages with all those catering to the same microfinance client. It will bring about a level-playing field for all and ensure that client protection is more adequately addressed.

“Meanwhile, the industry code has been strengthened in the areas of risk management, responsible lending, and HR practices, which includes training and client education.”

## Tie up with FIDC

A significant development in CRL adoption was the signing up of the Finance Industry Development Council (FIDC), the self-regulatory organisation for registered NBFCs. This makes CRL more inclusive in its coverage.

Raman Aggarwal, Chairman, FIDC, said: “We are pleased to sign the Code for Responsible Lending, along with MFIN and Sa-Dhan. The NBFC sector has been going through a challenging scenario for the last one year where banks, which are the major source of funding, have become risk-averse.

“CRL will be a step in the right direction to restore confidence in the non-banking lending community, as this will bring better discipline and harmony among the asset financing, loan financing and micro financing NBFCs.”

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