

**Training Sessions for Trainee Deputy
Collectors, Telangana on Money Lenders
Regulations 1960.**

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At MCHRD, Hyderabad.**

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Money Lenders Regulations 1960

- The Scheduled Area Money Lenders Regulations of 1960 were introduced by the government to protect tribal communities from the exploitation of unscrupulous moneylenders who often take advantage of their lack of education and financial literacy.
- Under these regulations, a “moneylender” is broadly defined to include individuals who advance loans, such as mandi merchants, landlords who lend grain to their farm servants as ‘Namu,’ pawnbrokers, and others involved in lending.
- These regulations aim to protect tribal communities from predatory lending practices while ensuring that legitimate lending activities are conducted transparently and within the bounds of the law.
- In the Agency Areas, there are two traditional lending methods used by tribals related to crops: Namu and Siri Namu.
- Namu refers to the practice where a borrower returns two bags for every one bag borrowed.
- Siri Namu requires the borrower to return one and a half bags for every one bag borrowed.

Loans advanced against Pledges of gold ornaments etc.

- Additionally, loans are often advanced against pledges of gold ornaments and other valuables. The government regulates these lending activities to safeguard the interests of tribal communities.
- **Key provisions of the regulations include the following:**
- **Interest Rates:**
- Interest must be simple and should not exceed 12% per annum for unsecured loans. For secured loans, the maximum interest rate is capped at 9% per annum.
- For loans against pledges, the interest rate is: $9\frac{3}{8}\%$ per annum if the loan amount is up to Rs. 25. $6\frac{1}{4}\%$ per annum if the loan amount exceeds Rs. 25.
- **Licensing Requirement:**
- All moneylenders operating in the Scheduled Areas must obtain a license from the Revenue Divisional Officer (RDO) or Sub-Collector. It is illegal to engage in moneylending activities without a proper license. Violating this requirement may result in punishment, including
- **Protection of Tribal Borrowers:** imprisonment of up to six months, a fine of Rs. 1,000, or both.
- If a moneylender unlawfully detains, intimidates, or interferes with a tribal borrower's land in an attempt to recover a loan, they can be punished with up to one year of imprisonment, a fine of Rs. 1,000, or both. Unlicensed moneylenders are also prohibited from recovering loan amounts through civil suits in court.

- **Loan Documentation:**

- Licensed moneylenders must provide loans only after executing a promissory note, which **must be attested by two witnesses, one of whom should be the village Sarpanch**. Loans that do not comply with this requirement cannot be recovered through the courts. Moneylenders are required to maintain registers documenting all loan transactions.

- **Complaints and Enforcement:**

- Individuals can file complaints against illegal moneylenders with the Tahsildar or Sub-Collector.
- The Panchayat Raj Extension (Scheduled Area) Act (PESA Act) also prohibits the granting of licenses to moneylending agencies within the Scheduled Areas.

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You!

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