



BANKING LAW AND PRACTICE

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A Banks have always formed the backbone of an economy - trade, commerce and industry cannot survive in the modern world without extensive banking facilities or, banks act as catalysts for the development and uplift of the vast poverty stricken masses in this country. To enable the major Indian banks to play an effective social role that fourteen of them were nationalised in 1968 followed by six in 1980, the objective being to eliminate the money-lenders by developing a network of branches to provide the rural areas comprising of about 5,50,000 villages without adequate facilities. The switch over from class banking to mass banking created several problems.

There has been steady increase in the incidence of crime in banks such as frauds, robberies, deterioration in bank services and inefficiency etc. The disease of corruption has spread enormously among bank employees and officials, posing a serious threat to the functioning of the banking industry. An unholy alliance between industrialists and businessmen, top bank executives and leaders of bank unions and associations has almost brought the banking industry to the brink of disaster. The steadily rising incidence of frauds, in various forms, in banks is a cause of widespread concern. Bankers frequently complain of politicians in power dictating who should get loan. Some of bigger loan scandals involving nationalised banks had as their

root cause in the promise of political contributions if the loans come through. While the functions of banks are prescribed by a complex web of regulations, the activities and services provided have evolved in response to the needs of our changing economy.

The impetus for providing additional services is likely to increase as the financial system becomes more competitive and the distinction between banks and other financial institutions disappears. The ability of banks to cope with the changing environment in which they operate, and to meet the challenges of such developments as electronic funds transfer systems, will be largely dependent on their ability to attract, develop, and retain qualified personnel. Moreover, privatization and globalization of Indian economy coupled with the emergence of multinationals in the commercial scenario of our country, the study of the law and practice bankers assumes great importance.

This book "Banking Law and Practice" examines both the substantive and procedural laws of banking in India. Through the relationship of banker and customer is essentially contractual, yet it is circumvented by varieties of statutory provisions. Identifying intricate problems and finding their solution provide the hallmark of this treatise, which makes an in-depth study of the various aspects of subject, in the context of judicial discussions. A thorough review of the remedies, English decisions, etc. are another important features of this book.

Author has also provided decision of other countries as and when relevant and required to be discussed. This book is an ideal guide to forward-looking practitioners in search of appropriate answers to the diverse problems arising between bankers and customers. The combination of the breadth of coverage with a thorough and perspective treatment of the law makes the work an essential companion to bankers, lawyers and those whenever concerned in the area of banking.

The book has been divided into eight sections. Section 1 exhibits banking legislations; Banking Regulation Act, Reserve Bank of India Act, etc. Section 2 deals with the Law relating to Negotiable Instruments Act. Section 3 portrays the relationship between banker and customer. Section 4 highlights employment of bank's fraud. Section 5 deals with financing specific sectors like priority sector, venture capital, exports etc. Section 6 explains the credit management covering credit policy, follow-up and supervision, recovery of loans, frauds, audit and industrial sickness. Section 7 deals with financial tools covering financial statement analysis, ratio analysis, fund flow and cash flow statements and performance budgeting. Section 8 deals with the recommendations of important commissions and committees appointed for development and regulation of banking sector.

A vitally important economic institution the banking system is deeply influenced by socio-political and economic changes. The emerging changes in India, particularly after the initiation of the planning process as an instrument of rapid economic development had molded and affected the banking structure, policies, patterns and practices. A significant development in the banking system is diversification in banks financing. The commercial banks entered into the field of wide ranging financial assistance to industry, both large and small scale, requiring the need for social control of the banking system eventually leading to the nationalization of banks.

The conventional banking system, found to be deficient for planned developmental purposes, paved the way for developmental banking. The fag end of the last millennium witnessed influx of foreign

banking companies into India and a shift in the banking policy as part of the global phenomenon of liberalization. The legal system is adopting itself into the new mores.

This new and revised twelfth edition is very timely and will no doubt be in high demand because it covers the developments, which have taken place in the financial and banking sector in order to acquaint the students with the conceptual and operational parameters of banking law, the judicial interpretation and the new and emerging dimensions of the banking system.

The present book is an attempt to make the banking law accessible to those concerned through handling of every day instances to clarify how the law works. It also shows that potential legal problems can be averted with sufficient knowledge of the law and so offers a working account of appropriate areas of the law. The stress all through is on clarity and the way the law operates on a day-to-day basis. Naturally, the extensive case law has been carefully presented and analyzed with quotations from frequently cited judgments.

This book is very much helpful for the law students as well as common people. Commerce graduates, post graduates will find this book more helpful for the updation of their knowledge. The book will fulfill vital need for the vast multitude of bankers.