Banker and customer relationship under banking regulation act, 1949: A study

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This article is a purpose of research only. The structure of Banking varies widely from the country to country. Often a country's banking structure is a consequence of the regulatory regime to which it is subjected. The banking system in India works under the constraints that go with the social control of public ownership. Nationalization, for instance, was a structural change in a functioning of commercial banks which was considered essential to better serve the needs for the development of the economy in conformation with the national policy and objectives. Similarly to meet the major objectives of banking sector reforms government stake was reduced up to 51% in the public sector banks. New private sector banks were allowed and foreign banks were permitted additional branches. Depending on the activities, products and services provided by the banks to its customers or availed by the customer,the relationship between the Banker and Customer emerges. There exists a transactional relation between them, we must understand the term banker and customer. According to Banking Regulation Act, 1949, Section 5(b) banking is defined as 'accepting for the purpose of lending or investment of deposits of money received from the public of repayable on demand and withdrawable by cheque, draft or order or otherwise.' Thus the term banker is not defined by the Banking Regulation Act but it defines the term "Banking". This definition highlights two points. The primary function of a banker is accepting of deposits for the purpose of lending or investing the same.