INTRODUCTION:

Economic development of nations largely depends on the growth of infrastructure facilities such as telecommunication, banking, transport etc. banking sector plays an important role in the economic development as it facilitates trade. It is one of the many institutions that impinges on the economy and affect its growth and development.

Financial institutions specially the banks with their role as mobilise of the community’s saving and channelized of these saving into productive outlets play a crucial role in the economic development of a country.

Bank is a financial institution that performs several functions like accepting deposits, lending loans, agriculture and rural development etc. Bank plays an important role in the economic development of the country. The economic and industrial development of a country depends upon the funds are managed by the banks like other business; the bank must be managed efficiently so that their customers are attracted. It is necessary to encourage people to deposit their surplus funds with the banks. These funds are used for providing loans to the industries thereby making productive investments.

Banking in India originated in the 18th century. The oldest bank in existence in India is the State Bank of India, a government owned bank in 1806. SBI is the largest commercial bank in the country.

After the independence Reserve Bank of India was nationalised and given wide powers. Currently, India has 96 Scheduled Commercial Banks, 27 Public sector banks, 31private banks and 38 foreign banks.

Today, banks have diversified their activities and are getting into new products and services that include opportunities in credit cards, consumer finance, wealth management, life and general insurance, investment banking, mutual funds, pension fund regulation, stock broking services, etc.

Banking system is an important constituent of overall economic system. It plays a crucial role in the attainment of macro-economic objectives. It acts as a vehicle for socio-economic transformation and also as a catalyst to economic growth. It plays an important role in mobilising the nations saving and in channelizing them into high investment priorities and better utilisation of available resources.
Phases of Indian Banking system: The Indian banking system is mainly divided into three different phases.
1) Pre-independent phase i.e before 1947,
2) Post-independent phase from 1947 – 1991,
3) Third phase 1991 and onwards

Banking habits: Traditional functions of banks are limited to accept deposits and to give loan and advances. Banks are the safe haven for parking one’s money and debit cards are a loan to avoid carrying bulky purses and wallets while also ensuring increased savings. The term banking embraces all the activities of a bank which engages in any of the following functions such as receiving investing lending exchanging serving of money and clams in other domestic and international transaction. The tendency to act in a certain way of manner customary relating to banking transaction is referred to as banking habits relative to this definition one easily understand that what is being referred to as transaction or informal banking institution because they perform the function of modern banking institution though in an unrefined form.

Some of the words used are defined below:
- **Banking:** This is the activities of the bank which engages the functions of receiving investing lending exchanging servicing money and claims in domestic and international transaction.
- **Banking habits:** This is the tendency to act in a certain way or manner customary or relative to banking transactions.

Economists have expressed a variety on the effectiveness of the banking system in promoting economic development. As an economic agent, the bank is expected to be more directly and positively related to the performance of the economy. Therefore, the banks are considered to be the mart of the world and the root to economies and finance of a nation. They are not only merely dealers in money but also are in fact dealers in the economic development.

The promotion of banking habit has more facets to ill than a mere extension of banking facilities.
Banking habit is a reflection of the inclination of the people to place their excess cash in an institution which will ensure its safety and also permit its withdrawal whenever necessary.