

# SMART

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### *Editorial*

#### **SOCIAL OBJECTIVES IN INDIAN BANKING SECTOR**

As a result of Banking Sector Reform, the cost efficiency and profitability of the Indian Public Sector Banks have improved significantly. The financial reforms involving banks may have suffered on account of the risk aversion of public sector banks and their inability to effectively allocate credit in the face of credit risk. It is true that the banking sector reform has established a competitive system driven by market force. At the same time, the reform experienced strong balance sheet growth of the banks in an environment of operational flexibility. A key achievement of the banking sector reform has been the sharp improvement in the financial health of banks, reflected in significant improvement in capital adequacy and improved asset quality. There have also been substantial improvements in the competitiveness of the Indian Banking Sector reflected in the changing composition of assets and liabilities of the banking sector across bank groups. In line with increased competitiveness, there has been improvement in efficiency of the banking system reflected, inter alia, in the reduction in interest spread, operating expenditure and cost of intermediation in general. Contemporaneously, there have been improvements in other areas like technology, HRM. The problem is that the reform has not resulted in the area of **social objectives** such as maintenance of the wide reach of banking system or channelization of credit towards disadvantaged but socially important sector. Hence the policy makers and banking sector should jointly evolve a system to achieve the social objectives and reach the socially important sector who are less fortunate.

The second issue (Vol.1, No.2) of the SMART Journal of Business Management Studies comprises of 19 articles, written by authors of repute, on different themes of contemporary nature. I hope readers would find the Journal academically challenging and strategically stimulating.

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