Set up central agency to evaluate big loan proposals: ICAI

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Cost accountants' apex body ICAI has suggested constituting a central agency, with cost accountants and experts from other fields, to evaluate applications for large loans before banks give their approval.

The suggestion comes at a time when the country's banking system is grappling with mounting sour loans and authorities are working on multi-pronged strategies to deal with the NPA menace.

For appraisal of the big loan proposals that the banks get, the finance ministry should look at constituting a central agency, ICAI President Sanjay Gupta told PTI Bhasha.

The agency will carry out cost evaluation of the loan proposals as well as audit the efficiency of the projects concerned, he added.

In an interview, he said the agency can have cost accountants and experts from other fields.

The non-performing assets (NPAs) in the banking sector crossed Rs 9 lakh crore at end-December 2017 and the Reserve Bank of India has warned of further worsening of the situation.

According to Gupta, the big banks have better means for research and development and they can better evaluate the loan proposals.

However, there are several small banks that do not have proper means to appraise them, he said, adding that in such cases, a central agency to look at the loan proposals will play a better role.

"When a project is fully funded by the banks using money which belongs to the people, then why should there be any secrecy from the side of the companies with regard to evaluation? There should be complete transparency in it," Gupta said.

The Institute of Cost Accountants of India (ICAI) represents cost accountants.

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