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Lenders put cash flows of about 500 stressed companies' under lens

BY [SACHIN DAVE](#) & [SALONI SHUKLA](#), ET BUREAU | UPDATED: JAN 21, 2020, 02.41 PM IST

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Indian banks have fast-tracked the process of roping in monitoring agencies to track last mile usage of bank loans to plug siphoning of bank funds. There are as many as 500 stressed loan cases where banks have roped in agencies or are in the process of doing so to monitor the cash flows.

In the last three months, [lenders](#) have hired agencies in [Gammon](#), Altico, JBF Industries, [Suzlon](#) and HCC to track end use of funds. Lead banks are hiring monitoring agencies in accounts having exposure of more than Rs 250 crore. Plan is to expand the usage of monitoring agencies to standard accounts as well.

“Currently, we are specifically focused to track use of bank loans in stressed accounts, steadily we plan to expand the ambit to accounts even to those accounts which are paying on time,” said a senior bank official. “In several cases, we have seen bank loans have not been used for purposes specified, we can no longer rely on trust and faith.”

Due to rising cases of bank frauds, the Indian Banks Association (IBA) set up a committee that would empanel agencies specialising in studying end use of funds. It was later decided that consortium loan accounts of more than Rs 250 crore would be keenly watched, 84 companies have been empanelled so far for this purpose.

As per the latest [Reserve Bank of India](#) (RBI) data, an unprecedented 6,801 frauds, totalling Rs 71,500 crore, were detected in FY19. That amounts to a 15% rise in volume and 80% climb in value from last year.

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Of these frauds, 73% were large ticket corporate frauds worth over Rs 100 crore. Public sector banks had 92% of those fraudulent loans. Many of these frauds took place at least five years ago, and some over a decade ago. The most shocking data of all was that the average time for a fraud over Rs 100 crore to be detected was 55 months.



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"The RBI is now mandating monitoring of loans made by banks. This is being done with a view to assess how the loans are being put to work, and have an early warning signal on any diversion of funds to related parties or affiliates and which are not put to use for the core business for which they were lent in the first place," said Sanjeev Krishan, partner & leader – Deals, PwC India.

Out of the Rs 3.5 lakh crore worth of loans involved in the first 12 accounts referred to bankruptcy courts, the government suspects that promoters siphoned off over Rs 1 lakh crore.

ET had first reported in November last that CG Power lenders had hired audit company BDO to monitor fund flows. In the past, lenders have observed that fraud-hit companies tend to exaggerate the value of stock or overpay vendors for supplies; hence banks want to

monitor stock and receivables on an ongoing basis. Also, background verification of vendors and suppliers may be conducted if any red flags are raised.

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