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Strengthening Public Trust in the Valuation Profession

(The goal of enhancing credibility and confidence in valuation practices)

In today's dynamic and increasingly complex financial environment, the role of Valuers has become more critical. Whether appraising assets for businesses, real estate, or financial reporting, Valuer's work is the basis for the informed decisions that affect industries, governments, and individuals. Public trust in the valuation profession is essential for ensuring the reliability and fairness of financial and investment decisions.

Valuations form the foundation for significant transactions, from real estate to corporate mergers, and they influence market behaviour. For the valuation profession to uphold this trust, valuers must follow a methodical approach that ensures the accuracy, transparency, and fairness of their work. This article outlines six key steps to building public trust in the valuation profession, highlighting the critical role of ethics, data integrity, and competency.

Record the Facts for Dependable Data

The first step to gaining public trust is ensuring that all facts relevant to the valuation are recorded accurately and meticulously. Each data contributes to accuracy and fairness of value and it is vital that data required for valuation is collected with utmost care and reliability.

Data sources are critical in valuation and valuers must source their data from credible, verified sources, and document it transparently. Comparable sales and transactions from the market, industry benchmarks within the specific industry, economic indicators, regulatory environment etc. are few of the examples of such sources.

Whether it's market comparable for real estate or financial records for business valuation, recording these facts systematically ensures that the valuation process is anchored in reality and free from manipulation or oversight.

The core of every valuation is "Data"-whether it is related to assets, markets, financial performance, or other factors.

Analyse the Data for Evidential Inputs

Once the facts are recorded, the next step is analysing this data to draw meaningful insights applying appropriate analytical methods that match the complexity and nature of the valuation while keeping in consideration changes in legal and environment, professional and valuations standards, compliance with national and international norms or alignment with global practices.

Valuers must ensure that their analysis is objective, rigorous, and free from bias. The use of established valuation methodologies, whether cost based, market based, or income based, provides a structured way to derive conclusions from the data. By approaching the analysis with evidence-based reasoning, Valuers can ensure that the valuation is defensible and well-supported.

Data analysis transforms raw information into evidential inputs that support informed judgments.

Collate the Inputs for an Unbiased Opinion of Value

The third step in building trust is collating all the evidential inputs into an unbiased opinion of value. An unbiased opinion of value means that the valuation is not influenced by client interests, personal gain, or any conflicts of interest. Transparency in how inputs are weighted and used to reach the final conclusion is critical in establishing credibility. This commitment to neutrality ensures that the valuation serves all stakeholders fairly.

This process requires synthesizing data from various sources, adjusting it for market volatility, specific industry risk, economic environment, management quality, competitive advantage, brand image etc. and analysing to form a clear, objective conclusion.

When data is cogently collated and becomes reliable information in valuation, it converts into input. All inputs are processed to arrive at the value conclusion.

Observe Ethics for Upholding Trust in Your Opinion

Valuers are often called upon to provide independent, unbiased opinions, whether for financial reporting, litigation, or investment decisions. Upholding high ethical standards not only ensures compliance with legal and regulatory requirements, but also preserves public confidence in the fairness and accuracy of the valuation process. Unethical behaviour, such as inflating asset values or aligning too closely with clients' financial interests, can severely damage trust.

Valuers must ensure adherence with professional standards/valuation standards, getting their valuation reports peer reviewed, and using consistent methodologies for arriving at the value. It is crucial that commitment to ethics, integrity, transparency, and objectivity must be at the forefront of every valuation report to maintain public confidence. Disclosure of any potential conflicts of interest by the Valuers reinforces the trust which clients and the public upholds in their opinions.

Ethics are the bedrock of any profession, and for valuers too, ethical conduct is non-debatable.

Report Value Opinion with Competency for Crystallising Fair Transactions

A competent Valuer doesn't just analyse data, he communicates his findings evidently and effectively. The reporting stage is where the opinion of value is crystallized into a format that clients and stakeholders can use for decision-making. A well-reasoned, transparent report is essential for ensuring that the valuation leads to fair transactions.

Competency in reporting involves not only technical knowledge but also the ability to present information independently and free from bias providing consistent, reasonable and acceptable assumptions and justifications in a way that is understandable to even non-experts. Assumptions should be backed up by reasonable logic/justification of adoption of the same.

A comprehensive valuation report will include a clear rationale for the final value; consistent, reasonable and acceptable assumptions; detailed explanations of the methods used; and a thorough breakdown of how different data points contributed to the outcome. This clarity helps stakeholders make informed and fair decisions.

Valuers must resist any external pressure that could compromise their impartiality and alter the final value.

Build consistency for increasing Public Trust in the Valuation Profession

Consistency in practice is key to building and maintaining public trust over the long term. Valuers must strive for consistency not only in their methodologies but also in the quality and reliability of their reports. By applying standardized approaches and adhering to best practices, Valuers ensure that their valuations are predictable, reliable, justifiable and easily comparable across different scenarios and markets.

When the public sees consistent results from the valuation profession, their trust in the industry grows. Consistency also makes it easier for regulatory bodies, clients, and the public to understand and rely on the valuation process. Consistent adherence to high standards fosters a reputation for dependability and professionalism, which is vital for the profession's continued success.

Transparency and accuracy, consistent with established standards, helps in enhancing credibility and trust, so that the reports are admissible as evidence and also reduce conflicts.

Conclusion

Building Public Trust in the valuation profession requires a meticulous, ethical, and transparent approach. It is mandatory that each data/input/information used in valuation is backed up by appropriate, relevant and acceptable evidence.

By recording facts accurately, analysing data objectively, and forming unbiased opinions of value, valuers can deliver reports that crystallize fair transactions and provide a value which is not only accurate but acceptable for the purpose under the given circumstances by the stakeholders.

Upholding ethical standards and consistently producing high-quality work strengthens the profession's credibility. As Valuers continue to apply these principles, public trust in the profession will grow, ensuring that their expertise remains a cornerstone of fair and efficient markets.