

# Know all about Credit Rating Agencies in India for SSC & Bank Exam - GK Notes in PDF

Credit Rating Agencies (CRA, also called a rating service) is a company that assigns credit ratings. CRA rates a debtor's ability to pay back the debt by making timely interest payments and the likelihood of default. It is one of the hot topics that is asked in various SSC & Bank Exams. Score more marks in your exam by making yourself about such GK topics. Keep reading to know about various Credit Rating Agencies in India in this article.

## Credit Rating Agencies - Introduction

Debt instruments rated by CRAs include government bonds, corporate bonds, CDs, municipal bonds, preferred stock, and collateralized securities, such as mortgage-backed securities and collateralized debt obligations. Credit Rating Agencies assess the relative credit risk of specific debt securities or structured finance instruments and borrowing entities (issuers of debt) and in some cases the creditworthiness of governments and their securities.

### Major Functions of Credit Rating Agencies

- Provide low cost information
- The basis for risk and return
- Gives superior information
- Helps in public policy formulation

- Enhances corporate image
- Business analysis
- Evaluation of industrial risks
- Market position of the company within the industry
- Operating efficiency
- The legal position in terms of the prospectus
- Financial analysis based on accounting quality
- Statement of profits
- Earnings protection
- Adequacy of cash flow
- Financial flexibility

## Major Credit Rating Agencies in India

### Credit Rating Agencies - CIBIL

TransUnion CIBIL is India's leading credit information company and maintains one of the largest collections of consumer information globally. TransUnion CIBIL Limited (formerly Credit Information Bureau (India) Limited) was incorporated based on recommendations made by the RBI Siddiqui Committee. TransUnion acquired a 92.1% stake in CIBIL.

- **Functions**
  - To create information solutions that enable businesses to grow and give consumers faster, cheaper access to credit and other services
  - CIBIL reduces costs and increases portfolio profitability
  - To make sound credit decisions about individuals and businesses
  - To plan their strategies with greater prudence



testbook



ATTEMPT ALL TESTS  
ACROSS ALL EXAMS

₹599 FOR  
1 YEAR

BUY NOW



testbook

- CIBIL has two focus areas: A Consumer Bureau that deals with consumer credit records and a Commercial Bureau that deals with the records of companies and institutions.
- It provides data to banks and other lenders who use it as a quick and efficient resource to filter loan applications.

- **Major Objectives**

- Understand customers' evolving needs and create solutions that help them innovate and grow, simultaneously creating own opportunities to reinvest and thrive.
- To improve financial literacy, inclusion and protection.
- CIBIL aims to be more than just a credit reporting agency.
- Provide information and tools to consumers for gaining a clear understanding of their credit history and financial reputation, and guarding against the theft of personal information and potential fraud.
- To provide powerful information solutions for businesses, backed by professional service and current, comprehensive data, for making better, more informed decisions.
- Create self-sustained improvement in the life of a "girl child" by facilitating continued education
- CIBIL encourages employees to contribute in terms of both efforts/time and monetarily
- To generate a feeling of goodwill among employees as well as stakeholders

### Credit Rating Agencies - CRISIL

CRISIL (formerly **Credit Rating Information Services of India Limited**) is a global analytical company providing ratings, research, and risk and policy advisory services. CRISIL's majority shareholder is Standard & Poor's, a division of McGraw Hill



Financial and provider of financial market intelligence. It is an agile and innovative, global analytics company committed to making markets function better.

- **Functions**

- The main function of CRISIL is to establish the creditworthiness of companies based on the business strengths, the board, the market share, and reputation of the company and so on. CRISIL rates organization like public limited companies, banks and financial organizations and not individuals.
- Credit Rating Services
- Advisory Services
- Credibility first rating and evaluation services
- Training services

- **Major Objectives**

- Assist both individual and institutional investors in making investment decisions in fixed interest securities
- Enable companies to mobilise funds in large amounts from a wide investor base, at a fair cost
- Enable intermediaries to place debt instruments with investors by providing them with an effective marketing tool
- To provide regulators with a market-driven system for bringing about discipline and a healthy growth of capital markets
- CRISIL has to rate the debt instruments of Indian companies and act as a guiding agent to Indian investors for providing them with proper advice on investment.
- It also reveals the risks involved in various debt instruments. Thus, CRISIL acts as a catalyst for channelizing investment in proper debt instruments.

- Its rating creates awareness of the concept of credit rating amongst corporations, merchant bankers, brokers, regulatory authorities, and helps in creating the environment that facilitates the debt rating

### Credit Rating Agencies - CARE

CARE Ratings commenced operations in April 1993 and over nearly two decades; it has established itself as the second-largest credit rating agency in India. CARE Ratings has also emerged as the leading agency for covering many rating segments like that for banks, sub-sovereigns and IPO grading. To enhance its scope of business CARE Ratings has been nurturing global opportunities and made forays in different forms: launched a new international credit rating agency 'ARC Ratings' with 4 partners from Brazil, Portugal, Malaysia and South Africa and established a subsidiary CARE Ratings (Africa) Private Limited (CRAF) in Mauritius.

#### • **Functions**

- It helps the corporates to raise capital for their various requirements
- It assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations.
- The company offers its credit rating and grading services in the following areas: Debt ratings, Bank loan ratings, Issuer ratings, corporate governance, Recovery ratings, financial sector, and Infrastructure ratings.
- It provides professional, insightful and independent informed opinion through various grading and rating services, which can serve as a valuable input to build investor confidence.

#### • **Major Objectives**

- Offers a complete range of credit rating services that help investors to make informed decisions and companies to raise capital



testbook **PASS**

ATTEMPT ALL TESTS  
ACROSS ALL EXAMS

**₹399** FOR  
4 MONTHS  
**BUY NOW**

testbook

- CARE offer a range of high-quality services to all the stakeholders in the capital market
- Build a pre-eminent position for ourselves in India in securities analysis, research and information services and to be an international credit rating agency
- To earn customer satisfaction and investor confidence through fairness and professional excellence
- CARE remains deeply committed to our internal and external stakeholders
- To apply the best possible tools & techniques for securities analysis aimed to ensure efficiency and top quality
- Ensure globally comparable quality standards in our rating, research and information services

### Credit Rating Agencies - ICRA

ICRA Limited (formerly **Investment Information and Credit Rating Agency of India Limited**) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional Investment Information and Credit Rating Agency. It was a joint-venture between Moody's and various Indian commercial banks and financial services companies. The company changed its name to ICRA Limited, and went public on 13 April 2007, with a listing on the Bombay Stock Exchange and the National Stock Exchange.

#### • Functions

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;



testbook **PASS**

ATTEMPT ALL TESTS  
ACROSS ALL EXAMS

**₹199** FOR  
1 MONTH  
**BUY NOW**

testbook





testbook



ATTEMPT ALL TESTS  
ACROSS ALL EXAMS

₹599 FOR  
1 YEAR

BUY NOW



testbook

- Provide intermediaries with a tool to improve efficiency in the funds raising process.
- Advisory Services
- Credit Rating Services
- Providing information pertaining to investments in different fields
- ICRA offers impartial views with regard to ratings as well as remedies.
- It works out strategies so that the companies, which are not very prominent or are less known, can get access to capital markets.
- ICRA offers solutions and strategies after conducting extensive research in different spheres, be it the fiscal sector, monetary sector or industrial sector. Extensive research assures of credibility as well as quality in the services offered by ICRA.

#### • Objectives

- ICRA offers 12 types of ratings which include, Corporate debt rating, Financial sector rating, Issuer rating, Bank loan credit rating, Public finance rating, Corporate governance rating, Structured finance rating, SME rating, Mutual fund rating, Infrastructure sector rating, Project finance rating and Insurance sector rating
- ICRA intends to widen its market base. It believes in operating in a transparent manner.
- The main aim of ICRA is to develop and create user friendly concepts. It also intends to design products to suit the market environment, which is always dynamic.
- ICRA aims at creating an environment, which is optimum for the market regulators and also the market participants.

Henceforth, Credit Rating Agencies are expected to observe highest standards of integrity and fairness in all its dealings. The analysis made by these rating agencies





testbook



ATTEMPT ALL TESTS  
ACROSS ALL EXAMS

₹399 FOR  
4 MONTHS

BUY NOW



testbook

provide the investor with valuable insights which facilitates their decision to further research and examine the opportunities and risks attached to these investment securities. The analysis with regards to countries, sectors and classes of securities provides valuable insights to investors in making their investment decision.

*Now that you are well aware of what are Credit Rating Agencies, check out:*

**India and Myanmar Relations**

**Highlights of Union Budget 2018**

**Economic Survey India 2018**

**Public Private Partnership**



testbook



ATTEMPT ALL TESTS  
ACROSS ALL EXAMS

₹199 FOR  
1 MONTH

BUY NOW



testbook