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A Study on Operational Performance of CRISIL Credit Rating Agency

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Abstract:

Purpose: This paper aims to study operational performance of CRISIL credit rating agency, and find out the factors which enhanced the performances of various activities under taken by CRISIL credit rating agency.

Design: Data was collected through the various articles and CRISIL credit rating agency website, for a period of fifteen years.

Findings: The findings reported that few rating services were provided by CRISIL rating agency in the initial stage, and the number of services was increased on the basis of the issuer requirements. Issuer companies are also aware of the services provided by CRISIL credit rating agency. The important factors which have enhanced the effectiveness of credit rating agency are managerial effectiveness, credibility and creative marketing efforts.

Keywords: CRISIL Ratings, Stability Rate, Transition Rate

1. Introduction

The people in India were dependent on banks and financial institutions for their fund requirement to establish new businesses or to expand the existing businesses. The supply of fund by these institutions were based on different interest rates, it also was on account of the negotiations between the borrower and lender. Once the fund was borrowed usually it was held up to the date of maturity. There was no need of market valuation.

Gradually, the growth of business, economy and environment changed due to the availability of funds at cheaper rates on account of government policies and integration of global economy. The investors have also positively responded to the environmental changes in the market. The relationship between the borrower and lender was brought to narrower level by way of bilateral negotiations. The investor started looking towards trading opportunities by way of mark-to-market valuation owing to the market mechanism. The task of holding instruments over a specific period has become difficult. This action needed the assistance of experts. These experts critically assess the creditworthiness of borrowers. This job is done by the credit rating agencies.

Credit Rating and Information Services of India Limited, (CRISIL) a Credit Rating Agency came into being to evaluate the credit risk of the instruments. These rating agencies enable the investors to take reasonable investment related decisions to minimise the risk and maximise the benefits. Growth of capital market and increase in the variety of instruments not only created opportunities to the investors but also created complexities in the market. The Issuer Company is no longer a surety to the quality of instrument which it issues. Under this situation, the Caveat Emptor rule (buyer beware) can be suitably applied as Investor beware. In light of this, an attempt is made to evaluate the performance of CRISIL credit rating agency in India. This evaluation is based on the performance statistics of CRISIL credit Rating Agency over a period of 15 years.

2. Objective

To assess the operational performance of CRISIL Credit Rating Agency

3. Research Methodology

The study makes use of secondary data for the purpose of evaluating the performance of CRISIL credit rating agency in India. The secondary data is obtained from the journals, Ratings Roundup (CRISIL), published by CRISIL credit rating agency and its website. An attempt is made to analyse and evaluate the performance of Rating Agency.

3.1. Statistical Tools Used

Mean, Standard Deviation and coefficient of variation values have been used for analysis of this study.

3.2. Conceptual Framework

The Credit Rating Information Services of India Limited (CRISIL) was established in the year 1987. The CRISIL rating agency initiated and popularized the concept of credit rating in India. Until then rating was not known to Indian investors. It was formerly known as Credit Rating Information Services of India Limited. The name was altered to CRISIL in the year 2003. It was set up in January, 1988; it started its rating activity in March 1988. It is India's premier credit rating agency and ranks amongst the top five in