

AN EVALUATION OF THE RESPONSIBILITY OF CREDIT SCORE AGENCIES IN NATION'S DEVELOPMENT

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ABSTRACT

For lenders, investors and business people in the financial sector, credit rating agencies (CRAs) are important to reduce information disparities among participants. Credit scores tell us about the credit worthiness of a country's citizens. When all businessmen are profitable, there will be more new business. The country's income is steadily rising, as are employment and poverty levels. All sectors of a country need to be created so that GDP increases and growth takes place.

This study presents a detailed analysis of the direct and indirect contributions of credit rating agencies to the country's development. The aim is to examine the importance of the country's credit rating for its development. In this study, both descriptive and analytical methods were used. Secondary and primary data were collected for this study. The main sources are the websites of rating agencies, newspapers, magazines and banks.

The resources of the countries are partly determined by the banks. Brief information about the various stages of country development. This makes it easy to understand the lifestyle and level of economic development. This study explains the various stages of a country's development by taking into account. This study deals with the aims, theory, interpretation of basic concepts, assumptions and limitations of the study.

Through research, we can understand the country's financial situation and the role it plays in the development of various industries.

1. INTRODUCTION

The service sector is a vital industry that has a significant impact on a nation's development. Financial services are what credit scores fall under because they offer financial stability through their ratings. Due to the recent economic crises, credit score is currently one of the most important financial challenges. Credit score firms now play a more significant role in the economy.

Definition Credit Score

Credit score refers to understanding a customer's credit assessment capacity, which includes understanding their credit repayment history. All consumers that are interested in loan facilities employ credit scores.

Credit-Score Organizations

The word "credit score" refers to a rating agency's evaluation of a client's basic creditworthiness and his ability to fully and on time perform his financial commitments. The borrowers' creditworthiness and chance that they will pay back the principle and interest on time are shown by their credit score.

Founders of Credit Score Organizations

Lewis Tappan established the first Credit score Agency in New York City in 1841. Robert Dun

eventually acquired it, and in 1859 he issued the first ratings guide. John Bradstreet, a different pioneering firm, debuted in 1849 and issued a ratings manual in 1857.

Credit score organizations were created in the United States when ratings were first applied to securities, mostly those linked to the railway bond market, in the early 1900s. In order to finance the growth of the country's large rail networks, corporate bond issues increased, creating a bond market that was far more robust than those of other countries. Following the 1907 financial crisis, there was a rise in demand for impartial market analysis, notably for evaluations of the bond creditworthiness. In 1909, financial expert John Moody wrote a book only about railway bonds.

In actuality, his business was the first to charge subscribers for access to investment information, and his appraisals were the first to be extensively publicized.

Goals for the Study

- The study's primary goal is to provide a neutral third party assessment of the potential and creditworthiness of the respondents.
- To increase customer awareness of how much their credit score is impacted by their payment history.

- To understand how credit scores contribute to a nation's development
- To research the key role credit score companies have in a nation's development.
- To give them the chance to enhance and grow their organizational strengths, possibilities, and credit worthiness, so they may extend loans at incredibly low rates and on simple terms.

Requirement and Significance of the Study

- Credit score agencies are crucial to the entire development of a nation.
- In order to eliminate information asymmetry in the credit markets, credit score agencies primarily serve to inform consumers about the capability.
- Banks must choose the finest credit score agency to obtain reliable client information.
- Additionally, it enables debt instrument distributors to reach out to creative investors and price their issues in accordance with accepted practices.
- It supports entrepreneurs in starting new businesses, which raises national income.
- The study's primary significance understands the responsibilities credit score agencies play in a nation's development across all sectors.

2. STUDY'S PURPOSE & SCOPE

The range defines the theoretical characteristics of credit scores in developing countries. The effectiveness of credit rating companies has been the subject of research.

Using GDP to measure progress, the study examines the processes a country must follow in order to thrive. A country's GDP shows how much it produces.

3. RESEARCH TECHNIQUES

Descriptive and exploratory research methods were used to analyze this study. Analytical research is scientific research that uses previously known data to draw conclusions. Descriptive research uses data presentation and graphical presentation for analysis and presentation of results.

4. INFORMATION SOURCES

Primary data: Information obtained through direct conversations with employees of credit score companies.

Secondary data: Information for the study was gathered from websites, newspapers, journals, publications, and credit score agencies.

Equipment and Methods: Tables, line graphs, and pie charts are some of the tools and methods utilised for the study.

Hypothesis

H0: The GDP of the service sector is not significantly impacted by credit score agencies.

H1: Credit score agencies have a considerable impact on the GDP of the service sector. H0: Credit score agencies have no significant impact on India's development.

H1: The development of India is significantly influenced by credit score agencies

The contributions of the service sector to GDP are shown by the GDP of the service sector. Credit score has been taken into consideration for the study because it is a component of financial services.

Advantages of Credit score Companies

To qualify for credit and debt, the borrower must have a good credit history. If the investor has a good credit history, the credit rating will not be a problem. Investors can easily borrow from financial institutions or public debt markets thanks to their credit rating. Credit terms often depend on the customer's credit score, so the higher the score, the better the credit terms in general.

If the credit score is low, the bank may refuse to accept the loan.

Because this is the basis of getting a loan. When lending to investors, these people start a new company, promoting employment and personal income.

All businesses must expand to achieve growth. Growth in one industry will affect the others.

Taking Actions That Promote Country Development

- A good credit standing
- A good credit score according to credit score agencies
- The granting of loans
- Investment in a new company
- Expand the number of job opportunities
- Increased income
- Better living conditions
- Requests additional goods
- Contributes to higher supply levels
- Prices are falling.
- The cost of living rises.
- Effects on GDP
- Nation progresses

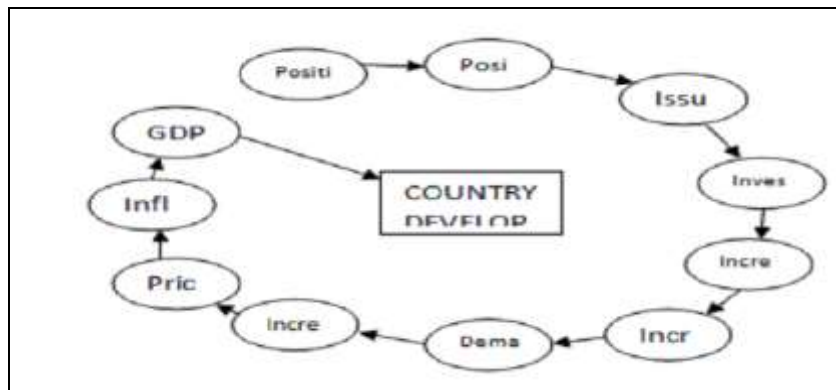


Figure illustrating the processes leading to a nation's growth

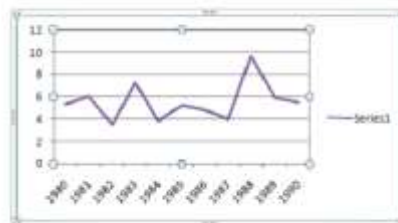
The phases that contribute to a country's development are depicted in the picture, along with how each sector depends on the others. When one sector develops, the effects will spur growth in

other sectors, which promotes the overall development of the nation.

The Interpretation and Analysis of Data

Table 1: Tabular Representation of GDP of India from 1980- 1990

Year	Gross domestic product, constant prices
1980	3.281
1981	4.006
1982	7.478
1983	7.289
1984	3.831
1985	3.234
1986	4.777
1987	3.963
1988	8.628
1989	2.947
1990	3.334



Graph 1: Graphical Representation of GDP of India from 1980-1990

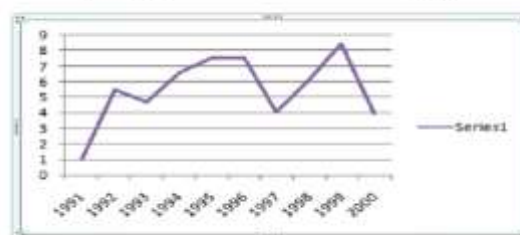
Interpretation

The graph shows very clearly that there is a change in GDP, regardless of where or whether the decline

can be attributed to other sectors of the economy. Small GDP growth between 1980 and 1990 is a sign of good health.

Table 2: Tabular Representation of GDP of India from 1991- 2000

Year	Gross domestic product, constant prices
1991	1.027
1992	3.482
1993	4.72
1994	6.639
1995	7.373
1996	7.53
1997	4.03
1998	5.124
1999	8.463
2000	3.973

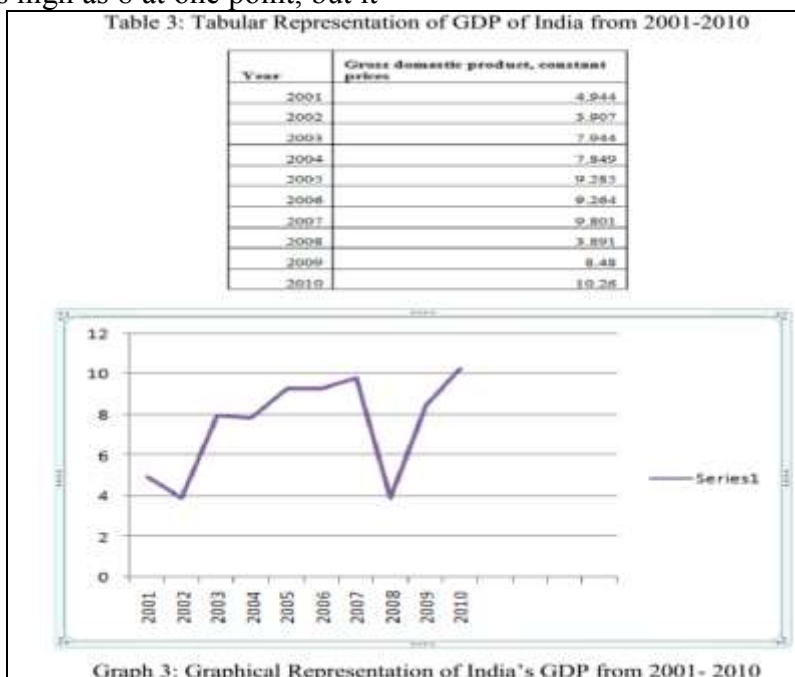


Graph 2: Graphical Representation of India's GDP from 1991-2000

Interpretation

The significant shifts in the GDP are readily apparent. It even got as high as 8 at one point, but it

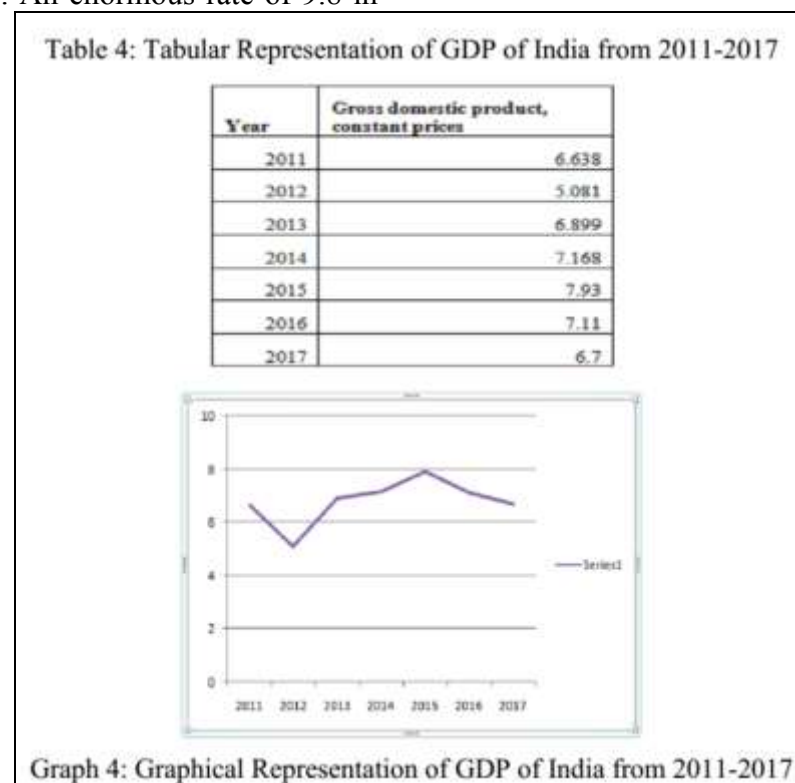
started to decline in 2000. But there has been a small gain in GDP between 1991 and 2000. However, a lot changed between these ten years.



Interpretation

Even in this graph, the GDP has undergone a few additional adjustments. An enormous rate of 9.8 in

2007 was detected at one point, and it gradually declined, and then slowly grew until it reached 10 in 2010, which is a sign of the nation's progress.



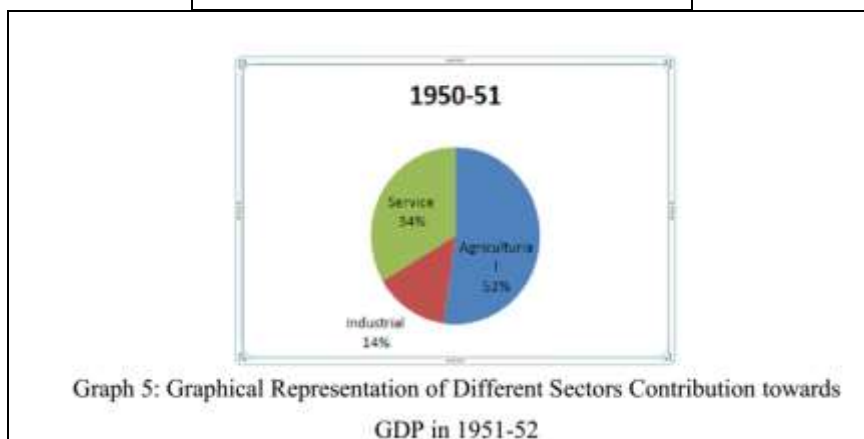
Interpretation

These years have seen fluctuations; they started at 6.6 in 2011 and peaked at 7.9 in 2015 before dipping to 6.7 in 2017. Despite the slight decrease

in GDP, this also suggests a positive forecast that GDP will increase in the next years. The GDP is significantly impacted by several industries. The three sectors are as follows: agriculture, industry, and services.

Contribution of various sectors to the GDP Table 5: Tabular representation of various sectors' contributions to the GDP in 1951–1952.

Sectors	Year 1950-51
Agricultural	51.81
Industrial	14.16
Service	33.25

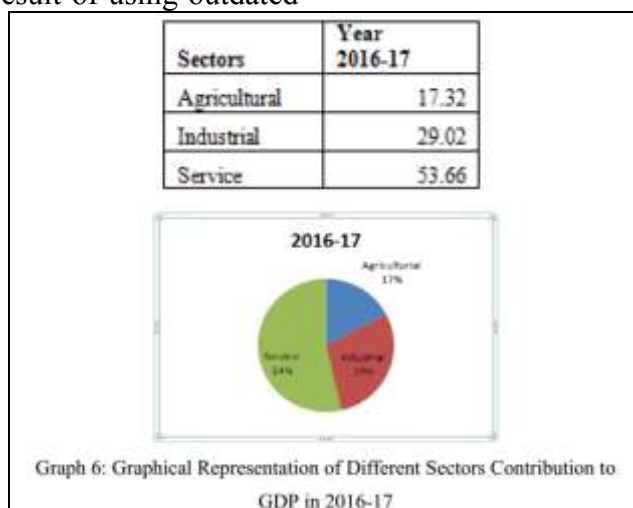


Interpretation

In 1950–1951, the agricultural sector received a lot of attention because it is the primary industry in our nation, whereas the service sector only provides 34% to GDP. It can be the result of using outdated

procedures and approaches and a lack of knowledge of contemporary technology.

Table 6 shows the contribution of various sectors to the GDP in 2016–17.



Interpretation

The contribution of the service sector, which accounts for over 54% of the total GDP, has changed dramatically. The expansion has a number of justifications. In this work, they are briefly described. The percentage of the service sector in the GDP is greater than 50%. This demonstrates how the nation is developing.

- Credit score agencies' contributions to national development

- Credit score firms measure the relative credit risk of certain debt securities, structured finance instruments, and borrowing organizations. The securities and governments' creditworthiness.
- Acts as a conduit for information between customers and banks.
- CRAs ostensibly cut down on information expenditures.
- Promote liquid markets; increase the gathering of deserving or prospective borrowers.

- These actions may boost the market's easily available risk capital and promote economic expansion.

General Effects on Credit Scoring Factors

The agency tracks a person's past credit history, including their borrowing habits and repayment habits. A late payment or loan negatively affects your credit score.

Authority also covers business under the authority of the business. If the borrower's economic prospects are good, the credit rating will be higher; If they don't, their credit score will drop.

The basis for credit scores awarded to individuals is the digital credit score provided by Equifax, Experian, and other credit reporting agencies.

A good credit history and a good score between 700 and 900 will usually attract low down payment lenders.

Many factors are taken into account when determining a person's credit score, including payment history, outstanding debt, length of credit history, new loan and type of loan. Some of these factors are more important than others. The credit report, which explains how your credit score is calculated, contains information on all credit matters.

Study's Restrictions

- The currently used human credit risk management solutions are very expensive and challenging to keep up.
- The expense of sustaining credit score executives who are qualified, experienced, and trained is very costly.
- It is impossible for diverse investor types to reach a consensus regarding the instrument's

qualifying quality. Additionally, they don't guarantee the necessary abilities for credit estimation.

- Considering that the study's data were secondary data. They might not be the most recent or reputable, or they might not be accurate enough.
- For the purpose of analyzing a country's progress, the study only took GDP into account.

Assessment of Hypothesis

The information makes it quite clear that credit scoring companies significantly affect the services sector's GDP.

The data analysis and statistics may be used to obliquely depict the significant influence that credit scoring agencies have on India's growth.

In order to achieve development, there are several aspects that must be taken into account, which the research briefly examined.

5. FINALIZATION

- Investors' credit scores will be stronger and more favourable if their credit histories are solid. As a result, obtaining loans is relatively simple.
- When loans are approved, investors can invest in a range of companies, which leads to the creation of jobs.
- The level of development of a country is determined by its GDP.
- According to the report, the GDP has increased, which suggests that the nation is developing.
- If every industry grows, then the nation's development will be quite simple.

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