Research Paper Management

# Credit Rating - A Service to Investors With Refernce to Ahmedabad District

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**ABSTRACT**

The present study was conducted in Ahmedabad district to analyse the investors investment decision towards credit ratings. The main objective of the paper is to analyse that the investors use credit ratings in making investment decisions. It has been assessed that most of the investors use other information source for investment decisions. There are only a limited studies available on the credit ratings in India. The data required for this study was collected through primary source (questionnaire). A total of 127 questionnaries were considered as respondents for the present study. Through the response of the respondents, it has been studied the source of information they used for investment decisions.

**KEYWORDS** Credit Rating, Credit Rating Agencies, Investment Instruments

## INTRODUCTION:

In today's modern era, if a person buys anything whether that is for his personal use or for home purpose, he view the ratings or reviews for that particular product. It means nowadays, people are so aware about the buying concept that if a particular product has no good ratings or no good reviews, a one won't go for that particular product.

Similarly, if its matter of investment then no investor takes so lightly whether to hold that investment or not , after all that's the matter of savings which a common investor does with hard earned money. So nowadays, even if an investor invests his savings then he also think twice and take reviews or ratings about that particular investment product. C.Arjunan and M Jayanthi (2014), Credit ratings are commonly used as means of investor protection.

The investors who are aware of credit ratings takes an investment decision with ratings given by rating agencies while the investors who are not aware of credit ratings, they use Market source, Brokers, Newspaper, Prospectus for taking an investment decision. . Rao (1999), Credit ratings also motivate the investors to invest their savings into capital market..

The investment services provided by brokers, agents, advisors are chargeable to investors and also that costs too high for them to pay every time for the information of the investment product. Thus, credit rating agencies made easy for the investors to avail the information services through the credit rating for an investment decisions. Kuljeet Kaur and Dr.Rajinder Kaur (2011), Credit Rating gives superior information about the rated product and that too at low cost, which the investor otherwise would not be able to get so easily.

Every investors have a different perception towards credit rating and rating agencies. They think that the rating agencies rate the instrument according to issuers concern. While some investors think it as a best source to avail the information for an investment decision. Khyser Mohd (2011), information services, advisory services and research services were equally preferred by investors or borrowers apart from credit rating services.

## OBJECTIVE OF THE PAPER

The main objective of the paper is to analyse that the investors use credit ratings in making investment decisions. With the study of questionnaire, it has been analysed the source of information used by investors for investment decisions and the percentage of investors invest in rated instruments.

## METHODOLOGY AND DATA COLLECTION

Field survey method has been selected for the study. The primary source of data is used. A well- framed questionnaire was prepared to obtain the necessary information from the data about the investors investment decision. A total of 127 questionnaries were considered as respondents of Ahmedabad district for the present study. On the basis of frequency and percent., the analysis has been done for the present study.

## DATA ANALYSIS AND EXPLANATION

| | | Frequency | Percent |
|---|---|---|---|
| Age | Below 29 | 50 | 39.4 |
| | 30-39 | 57 | 44.9 |
| | 40-49 | 16 | 12.6 |
| | Above 50 | 4 | 3.1 |
| Gender | Male | 87 | 68.5 |
| | Female | 40 | 31.5 |
| Marital Status | Married | 91 | 71.7 |
| | Unmarried | 36 | 28.3 |
| Qualification | Upto HSC | 3 | 2.4 |
| | Graduate | 47 | 37 |
| | Post graduate | 64 | 50.4 |
| | Professional | 13 | 10.2 |
| Occupation | Private Employee | 90 | 70.9 |
| | Government-Employee | 24 | 18.9 |
| | Businessman | 8 | 6.3 |
| | Profession | 5 | 3.9 |
| Monthly Income | Below 20,000 | 27 | 21 |
| | 20,000-40,000 | 33 | 26 |
| | 40,000-60,000 | 34 | 27 |
| | Above 60,000 | 33 | 26 |
| Total | | 127 | |

The above demographic profile of the respondents is calculated as per their age, gender, marital status, qualification, occupation and monthly income. The demographic profile helps to understand the investors perception towards investment decisions.

From the age- wise classification showed that 39.4 percent investors are from below 29 age group, 44.9 percent investors from 30-39 age group, 12.6 percent from 40-49 age group and 3.1 from above 50 age group. So it conclude that maximum investors are from 30-39 age group.

The gender -wise classification studied that male investors 68.5 percent are more than female investors 31.5 percent.

From the classification of marital status it showed that majority of 71.7 percent married investors than 28.3 percent unmarried.

The classification of qualification concluded that the maximum investors are postgraduate 50.4 percent compare to graduates, profession or HSC class.

In the occupation-wise classification it studied that the private employee investors percent are 70.9, government employee investors are 18.9 percent, businessman investors are 6.3 percent and profession investors are 3.9 percent.

From the monthly income –wise classification it showed that the majority investors 27 percent are earning 40,000-60,000 monthly.

**SOURCE OF INFORMATION FOR INVESTMENT DECISIONS**

| Information | Frequency | Percent |
|---|---|---|
| Newspaper | 38 | 30 |
| Market Source | 52 | 41 |
| Prospectus | 8 | 6 |
| Through Agency rating Guides | 29 | 23 |

The study analysed that the investors refers the Market source information maximum 41 percent compare to other sources of information for investment decisions.

**INVESTORS PREFERRED INSTRUMENTS**

| Instruments | Frequency | Percent |
|---|---|---|
| Post Office | 12 | 9.5 |
| Real Estate | 16 | 12.6 |
| Gold | 20 | 15.7 |
| Initial Public Offer (IPO) | 11 | 8.7 |
| Insurance Policies | 16 | 12.6 |
| Mutual Fund Schemes | 30 | 23.6 |
| Bank Deposits | 22 | 17.3 |

The above are the financial instruments in which investors generally prefer to invest. The majority investors prefer to invest in Mutual fund schemes 23.6 percent followed by Gold 12.6 percent, then bank Deposits 17.3 percent, in Real Estate and Insurance policies are similar 12.6 percent and very less investors prefer in IPO's 8.7 percent.

**RATINGS USED BY INVESTORS**

| Investors | Frequency | Percent |
|---|---|---|
| Yes | 55 | 43.3 |
| No | 72 | 56.7 |

From the field survey, it studied that majority investors 56.7 percent do not use ratings for investments and only 43.3 percent investors use ratings for investment purpose.

**RATING OF FINANCIAL INSTRUMENTS USE FOR INVESTMENT**

| Rated Instruments | Frequency | Percent |
|---|---|---|
| Bank Deposits | 24 | 18.9 |
| Bonds | 30 | 23.6 |
| Company Fixed Deposits | 13 | 10.2 |
| Government Securities | 18 | 14.2 |
| Commercial Paper | 4 | 3.1 |

The study analysed that the financial instruments in which investors invest through ratings are Bonds 23.6 percent which majority investors use for investment decisions, followed by Mutual Fund Schemes 21.3 percent, in Bank Deposits 18.9 percent investors, in Government securities 14.2 percent investors, in Company Fixed Deposits are 10.2 percent, in Debentures 8.7 percent investors and very less investors use ratings for commercial paper 3.1 percent only.

**CONCLUSION**

It has been studied from the above analysis that majority investors do not go with the credit ratings decisions for an investment or we can say majority investors doesn't use ratings for their investment decisions. Also the sources of information the investors like to prefer is Market Source rather than through Rating agencies guides. The outcome of the study will help to the rating agencies to create an awareness towards investors for the ratings, so they take a proper guidance for their investment decisions.

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