

Individual Investors' Perception towards Credit Rating Agencies in India With Special Reference to Erode and Coimbatore District

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Abstract: *The present study was conducted in Erode and Coimbatore districts to analyse the perceptions of the individual investors about credit rating agencies and its impact on credit ratings for instruments in particular. There are only a few studies are available on the impact of credit ratings in India. The major objectives of the study are (i) to know the perceptions of the individual investors about credit rating instruments offered by Indian credit rating agencies, (ii) to know the perception of investors towards the performance of Indian credit rating agencies. The data required for this study was collected through both primary (questionnaire) and secondary source. By using convenience sampling method, 500 persons were considered as the respondents for the present study. The perceptions of individual investors have been analysed using SPSS to draw meaningful conclusions. The respondents were of the opinion that the impact of rating instruments highly influences the investor's investment decision. However, then respondents were of the opinion that, credit ratings plays a pivotal role in safeguarding the investors from heavy risk with better return. To conclude, further study may be conducted with regarding guidelines issued by SEBI and methodology followed by rating institutions, it would help the investors to understand the pattern of investment and how to overcome the risk with better portfolio of investment.*

Introduction

Investment defined as commitment of funds made in the expectation of some positive rate of return. If the investment is properly undertaken the return will commensurate with risk the investor assumes. – Fisher & Jordon. Instead of keeping the savings idle investor may like to use savings in order to get return on it in the future which is known as investment. Credit ratings are commonly used as a means of investor protection. The credit rating agencies today have ample opportunities to play a unique role in strengthening the capital market and building the investor's confidence in the financial system. With this background, the present research work has been undertaken to provide vital inputs to the credit rating agencies in India in order to understand and comprehend the investors' attitude in the current changing scenario. Hence, this study vigilantly analyses the investors' perception regarding the performance of credit rating agencies.

Objectives of the study

- (i) To know the perception of the individual investors about credit rating instruments offered by Indian credit rating agencies.
- (ii) To know the perception of investors towards the performance of Indian credit rating agencies.

Review of Literature

Bhattacharyya M (2009) in his Study of Issuer Rating Service with an Appraisal of ICRA's Rating Model made an attempt to evaluate the performance of credit rating agencies in India including CRISIL, ICRA, CARE and FITCH. Secondary data relating to long-term debt instruments from time period 2000-08 has been used for the purpose of the study. This depicts that the ratings were issuer biased. So, the authors suggested that stringent methods should be adopted to avoid frequent downgrades.

Mei Cheng and Monica Neamtiu (2009), An Empirical Analysis of Changes in Credit Rating Properties: Timeliness, Accuracy and Volatility, have pointed out that the credit rating agencies were faced increased regulatory pressure and investor criticism for their ratings' lack of timeliness. This study investigated whether and how rating agencies respond to such pressure and criticism. It identified that the rating agencies not only improve rating timeliness, but also increase rating accuracy and reduce rating volatility.

Rom Mark Cart (2009) The Credit Rating Agencies and the Subprime Mess: Greedy, Ignorant and Stress? describes the credit rating agencies were an important component of the subprime mess. The study assessed three subprime suspects in the CRA's problems: incentives, ignorance and stress. The study concluded that all the three factors were important, that public officials were slow to react, and that additional safeguards have been put into place to prevent such problems in the future.

Christina E. Bannier and Christian W. Hirsch (2010), The Economic Function of Credit Rating Agencies: What does the watch list tell us? the study have analyzed the economic function underlying the review procedure of credit rating agencies by using Moody's rating data between 1982 and 2004, Credit rating agencies did not only disclose simple ratings but announce watch lists (rating reviews) and outlooks as well. This study found that, for borrowers of high creditworthiness, rating agencies employed watch lists primarily in order to improve the delivery of information.

Emilios C. Galariotis (2010) Informational Efficiency of Credit Default Swap and Stock Markets: The Impact of Credit Rating Announcements, the study has explored the response of stock and Credit Default Swap (CDS) markets to rating announcements made by the three major rating agencies during the period 2000–2002. the study found that both markets not only anticipate rating downgrades, but also reviews for downgrade by all agencies.

Tobias Johanson (2010), Regulating Credit Rating Agencies: The issue of conflicts of interest in the rating of structured finance products, the study examined the financial crisis on structured finance products of credit rating agencies. This paper had explored the ongoing debate about regulation of CRAs, with a focus on the issue of conflicts of interest in the rating of structured finance products. There had been a high degree of reliance on ratings from both the market and the regulators, but at the same time, only limited accountability for the CRA's.

Ana-Maria Minescu (2010), The Determinants of Sovereign Credit Rating: A Worldwide Study, it determined the relationship between sovereign credit ratings and various determinant factors for a sample of 82 worldwide countries during the period 1996-2008. . This study concluded that, the factors were relevant and found as explanatory variables such as GDP, inflation, default history and corruption.

Arun T.J (2010), A Study on Impact of Credit Rating on Investment Decisions of Investors in Tamilnadu, has studied the impact of credit rating on investment decisions of investors in Tamilnadu. The study examined that investors belonged to middle income group had

more perception on credit rating and rating agencies. The investors those who taken investment decision on the basis of credit rating ultimately had more perception on credit rating and rating agencies.

Bheemana Gouda and Madegowda J (2010) Working of Credit Rating Agencies in India: An Analysis of Investors' Perception, have analysed the opinion of investors on the working of credit rating agencies in India and offers some suggestions to enable the rating system to be efficient and effective. The rating agencies have to take up the rating surveillance with all seriousness to gain the confidence of investors as otherwise the very purpose of the entire exercise is defeated.

Lawrence J White (2010) Credit Rating Agencies, Exchanges and Clearing and Settlement, An Introduction to Investment Bank has explored the financial regulatory structure propelled by the popular credit rating agencies namely, Standard and Poor, Moody's and Fitch to the centre of the U.S. bond markets. The study also virtually guaranteed that these rating agencies did mistakes it would have serious consequences for the financial sector.

Khyser Mohd (2011) Performance of Credit Rating Agencies in India: A Perceptual Study of Credit Rating Agencies, has focused on the assessment of overall performance of rating agencies in India from the agencies point of view. The credit rating agencies firmly believed agreed that credit rating would act as a marketing tool in creating the company's image. Further, the analysis revealed that the all services, i.e., information services, advisory services and research services were equally preferred by investors or borrowers apart from credit rating services.

Koresh Galil and Gil Soffer (2011) Good News, Bad News and Rating Announcements: An Empirical Investigation, have employed a new approach to test the contribution of information in rating announcements. This was the first study to test and corroborate how the CDS market responds to rating actions after controlling for the presence of concurrent public and private information. This study explained that, since the clustering of rating announcements characterizes economically significant developments, the common practice of using "uncontaminated" samples underestimates market response.

Piet Duffhues and Wim Weterings (2011) The Quality of Credit Ratings and Liability: the Dutch View has focused the criticism referred as the information transformation function of CRA's. While performing functions by CRA's, they co-ordinate the decision of investors and the conduct of the issuers of loans. The study concluded that the characterization of CRA's did not conflict with the traditional view of information asymmetry. Beatriz Mariano (2012) Market Power and Reputational Concerns in the Ratings Industry, has studied the incentives of rating agencies to reveal the information that they obtain about their client firms. In the model, rating agencies seek to maximize their reputation and protect their market power. The study point outs public information and obtain either precise or noisy private information about a firm. Reputational concerns dictate that a rating reflected private information when it was precise.

Giuliano Iannotta, Giacomo Nocera and Andrea Resti (2012) Do Investors care about credit ratings? An analysis through the cycle, have investigated how the credit cycle affects the link between bond spreads and credit ratings. Using a simple model of the credit assessment process, it showed that when the debt market was more opaque, the information content of ratings deteriorates; creating an incentive for investors to increase the amount spent on private information. The researcher tested this hypothesis empirically.

Venkateshwara Kumar K.S. and Hanumantha Rao S (2012) Credit Rating Role in Modern Financial System, has analysed the credit rating role in modern financial system. Credit

rating business in India was a sweet spot as it was on the cusp of robust growth potential driven by the triggers. Strong apex cycle in Indian economy, lower penetration of corporate bond market and regulatory push due to implementation of Basel II norms.. The study concluded that the entities had a strong credit rating system in place to ensure smooth operation for the entity chain.

Statement of the problem

Credit rating agencies are responsible for analyzing the credit quality of various issuers and assigning a rating to these issuers' obligations that corresponds to their perceived degree of credit risk. Associated with each rating, or 'risk bucket' is a likelihood of default that is derived from historical observations of the default behaviour of companies within each ratings class. As such published ratings clearly contain significant information concerning the quality and marketability of various fixed income issues. It is noted that credit ratings are considered a primary source of investor information in investment decision-making.

In India, five primary agencies such as CRISIL, ICRA, CARE, FITCH, and BRW provide such credit ratings to the investors. The importance of the services of these agencies in the Indian debt market cannot be underestimated, especially considering the noteworthy growth in the past decade in the number of Indian companies raising funds through long-term borrowings, which was accompanied by growth in the volume of trade of debt instruments in secondary markets in India. Their role becomes doubly important after taking into consideration the Indian financial markets' inefficiency, much like that of most developing countries, as information relevant to determining creditworthiness may not be publicly available.

¹In worldwide, investors are rigorously watching withdrawals of rating or downward rating, as it gives caution to the investors. But Indian investors are not given prime importance to the credit ratings because lack of financial literacy, in conspicuously noted that the significant chunk of investors do not know how to correctly interpret and analyze the information contained within public financial statements and the reliability of credit ratings. Hence, it is worthwhile to identify the factors affecting investment decisions of investors and to find out the extent to which credit rating affects investment decisions. So, the present study has made a sincere attempt to analyse the investors' attitude towards performance of credit rating agencies. In this regard, the following research questions are probed.

- i) What has been the level of awareness among the investors with respect to credit ratings?
- ii) What has been the attitude of investors towards rating mechanism and rating methodologies of credit rating agencies in India?
- iii) Are the factors leading to performance of credit rating agencies with respect to investors' concern?

Research Methodology

Field survey method has been followed for the study. Both primary and secondary sources of data are used. A well-structured questionnaire was designed to elicit necessary data and details from the investors about the performance of credit rating agencies. The secondary data were collected from the books, journals, magazines and web portals. The researcher has adopted

multi-stage sampling to collect the relevant data for the present research. 500 respondents have been chosen proportionately covering all the revenue divisions (4 X 125 = 500) of Erode and Coimbatore Districts. Out of 500 sample investors only 480 respondents have filled the complete data without flaw were consider for the analysis purpose. Hence, the exact sample size of the study was restricted to 480. The various statistical tools, such as Descriptive Statistics, Parametric One-sample 't' test, Factor analysis, K-means Cluster analysis have been applied for the study.

Data Analysis and Interpretations:

Demographic profile

The demographic profile of the investors is studied on parameters such as gender, age, marital status, educational qualification, family size, occupation and monthly income. The demographic variables are most popular base for segmenting the investors which led to understand the behavioural pattern of investors.

Demographic Profile of Respondents

		Frequency	Percent	
Age	Below 30	62	12.9	
	31 - 40	135	28.1	
	41 - 50	189	39.4	
	Above 51	94	19.6	
Gender	Male	425	88.5	
	Female	55	11.5	
Educational Qualification	Up to HSC	82	17.1	
	Diploma / Technical	63	13.1	
	Graduate	229	47.7	
	Professional	106	22.1	
	Marital status	Unmarried	368	76.7
	Married	112	23.3	
Nuclear Family	Joint family	125	26.0	
	Nuclear family	355	74.0	
Occupation	Businessmen	96	20.0	
	Government Employee	121	25.2	
	Private Employees	149	31.0	
	Profession	56	11.7	
	Agriculture	58	12.1	
	Businessmen	96	20.0	
	Government Employee	121	25.2	
	Monthly Income	Below ₹ 10,000	42	8.8
		₹ 10,001-20,000	87	18.1
		₹ 20001-₹30,000	226	47.1
Above ₹ 30,000		125	26.0	

The age of the respondents divulged that 39.4 percent of investors are in the age group of 41-50 years, followed by 28.1 percent of the investors are in the age group of 31-40 years. So, it is inferred that the majority of investors are in the age group of below 41-50 years.

The gender-wise classification of the investors showed that out of 480 respondents, 425 (88.5 percent) are male and 55 (11.5 percent) are female

The educational qualification of investors consists of 17.1 percent have studied up to HSC, 13.1 percent of investors are technical / Diploma holders, 47.7 percent of investors are graduates and 22.1 percent of investors are professionally qualified.

The marital status-wise classification of the investors depicted that, 76.7 percent of the investors are married and 25.3 of the investors are unmarried. It is inferred from the above analysis that the majority of the respondents are married.

Family size of respondents depicts that majority (74 percent) of the investors' family nature is nuclear and rest of them come under joint family system

It is inferred that 31 percent of the investors are private employees followed by 25.2 percent of investors are Government employees 20 percent of the investors are businessmen, 11.7 percent of the investors are professionals and 12.1 percent of the investors are agriculturalists

The monthly income the of the investors explored that 8.8 percent investors are earning less than ₹10,000, 18.1 percent investors are earning the income ranges between ₹10,000-20,000, 47.1 percent are earning the income ranges between ₹20,001-30,000 and 26 percent of the investors are earning more than ₹30,000

Investment Pattern of Investors

Annual Investment

Annual Investment	Frequency	Percent
Below ₹ 1,00,000	179	37.3
₹ 1,00,001-2,00,000	242	50.4
Above ₹ 2,00,000	59	12.3
Total	480	100.0

The annual savings the of the investors explored that 37.3 percent investors' savings is less than ₹1,00,000, 50.4 percent of investors' savings ranges between ₹1,00,000-2,00,000 and 12.3 percent of the investors' annual saving is more than ₹2,00,000.

Preference of Investment Avenues

Preference Savings	Frequency	Percent
Life insurance	33	6.9
Bonds / debentures	79	16.5
Shares	71	14.8
Bank deposits	66	13.8
Real Estate	146	30.4
Gold	85	17.6
Total	480	100.0

It is concluded that majority of the investors' preference towards saving is real estate because of high appreciation in the land value and high volatility in the securities market

Volatility in the Value of Investment

Volatility in Investment Value	Frequency	Percent
Accept higher volatility as growth is the goal	22	4.6
Accept lower long returns with maximum stability	160	33.3
Accept little volatility and average return	94	19.6
Accept average volatility and average return	71	14.8
Accept substantial volatility and maximum return	133	27.7
Total	480	100.0

Choice of volatility in the investment portfolio indicates that only 4.6 percent investors are chosen high return with higher volatility. The majority of the investors (33.3 percent) have opted lower return with maximum stability, 19.6 percent investors have preferred little volatility and average return, 14.8 percent investors have preferred average volatility and average return and 27.7 percent investors substantial volatility, as maximum appreciation is their goal.

Factors influencing in Investment Decisions

Factors	Mean	Mean Rank
Recent trends in capital market	.7821	2
Rating symbols	.7047	3
Proportion of risk	.6281	5
Brand name/Goodwill of the company	.8703	1
NAV and every trading day progress	.6609	4
Past performance	.5178	8
Investment philosophy	.4984	7
Volume of business	.6125	6

The major factors influencing in the investment decision portrays that brand name or goodwill of the company (Rank 1) and recent trends in capital market are the major factor influencing in the investment decision making followed by rating symbols, NAV, proportion of risk, volume of business, investment philosophy and past performance of the company are also considered by the investors for taking investment decisions

Mode of Accessing Investment Portfolio

Mode of Assessment	Frequency	Percent
Self-assessment	122	25.4
Through financial advisors	183	38.1
Through the portfolio tracker on the website	110	22.9
By calculating on computer by inserting current prices	65	13.5
Total	480	100.0

Source: Primary Data

The study explored that the self-assessment, financial advisors, portfolio tracker on the websites and calculating prices through computers are the mode of accessing investment portfolio in which financial advisors are playing significant role in accessing investment portfolio among the sample investors

Holding of Rated Instruments by the Investors

Rated Instruments	Frequency	Percent
Bonds / Debentures	59	12.29
Equities	422	87.92
Preference share	73	15.21
Commercial paper	19	3.96
Fixed deposit	17	3.54
Mutual fund schemes	314	65.42
Insurance policies	295	61.46
Collective investment schemes	28	5.83
Bank Loan	21	4.38

Note: Multiple Responses

The rated instruments holding by the investors showed that the majority (87.92 percent) of the investors are invested in rated equities, 65.46 percent of the investors are invested in rated mutual fund schemes, 61.46 percent of the investors are invested in rated insurance policies, 15.21 percent of the investors are invested in rated preference shares and 12.29 percent of the investors are invested in rated debentures.

Awareness on Rating of Financial Instruments

Financial Instruments	Mean	Standard Deviation	Mean Rank	Chi-Square	Sig
Bonds/Debentures	3.78	1.106	7.32	392.53	0.000
Commercial papers	3.77	1.091	7.23		
Structured financial products	3.43	1.071	6.34		
Bank loans	3.72	1.155	7.16		
Fixed deposits by NBFCs	3.58	0.999	7.45		
Mutual fund schemes	4.29	1.185	8.32		
Initial public offer	3.22	1.154	5.52		
Shares	4.75	1.056	8.64		
Rating of insurance policies	3.52	0.862	7.33		
State Government borrowings	3.18	1.107	5.68		
Structured obligations	2.62	1.137	5.75		

The results of Friedman's Test showed that there is significant difference in the investors' awareness on financial instruments rated by credit rating agencies in India ($\chi^2=392.52$, $P<0.05$). The mean ranks revealed the fact that the investors are highly aware about the rating of shares followed by rating of mutual fund schemes.

Investors' Awareness on Performance Grading

Awareness on Performance Grading	Mean	Standard Deviation	Mean Rank	Chi-Square	Sig.
Developer rating	2.75	1.103	7.78	662.91	0.000
Value creation rating	2.16	1.107	5.70		
Broker grading	2.69	1.130	7.40		
MFI grading	2.40	1.082	6.48		
NSIC grading	2.55	1.133	7.06		
Contractor grading	2.50	1.136	6.88		
Institutional grading	2.51	1.079	6.93		
Corporate governance rating	2.32	1.087	6.37		
Project finance rating	2.22	1.030	5.86		

The results of Friedman Chi-Square test explored that there is significant difference in the investors' awareness towards performance ratings of credit rating agencies ($\chi^2=662.91$, $P<0.05$). The mean ranks indicated that the investors are well aware about developing ratings followed by broker grading

One-sample Statistics for Perception on Credit Rating Agencies

Variables	Mean	Std. Deviation	Std. Error
Awarding Rating symbols to financial instruments	4.28	.857	.039
Ratings mandatory for listed company	4.08	.661	.030
Rating changes over time	3.24	.613	.074
Rating alone is not foolproof for stock behaviour	3.70	.439	.067
Rating depends on company performance	4.47	.730	.033
Rating depends on information flows by companies	4.24	.911	.042
CRA offer advice and not be a guarantor for return on investment	4.40	.960	.044
I know major rating agencies in India	4.13	.910	.042
Rating is done by an independent agency	4.27	.285	.059
Able to differentiate the rating symbols of CRAs	4.27	.713	.033
I consider ratings of CRA while I am taking investment decisions	4.46	.827	.038
I aware diversified services provided by rating agencies	4.46	.587	.027
Able to understand the rating methodology employed by the rating agencies	4.27	.794	.036

The mean values of thirteen variables of perception on credit ratings range from 3.24 to 4.47 with consistent standard deviation. The standard error mean are also found to be consistent for all the thirteen variables.

One-Sample 't' Test for Investors Perception on Credit Rating Agencies

Variables	t	df	Sig (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Awarding Rating symbols to financial instruments	32.82	479	.000	1.283	1.21	1.36
Ratings mandatory for listed company	35.79	479	.000	1.079	1.02	1.14
Rating changes over time	3.22	479	.001	.237	.09	0.38
Rating alone is not foolproof for stock behaviour	5.30	479	.000	.300	.41	0.19
Rating depends on company performance	44.11	479	.000	1.471	1.41	1.54
Rating depends on information flows by companies	29.84	479	.000	1.242	1.16	1.32
CRA offer advice and not be a guarantor for return on investment	31.91	479	.000	1.398	1.31	1.48
I know major rating agencies in India	27.09	479	.000	1.125	1.04	1.21
Rating is done by an independent agency	21.64	479	.000	1.269	1.15	1.38
Able to differentiate the rating symbols of CRAs	39.13	479	.000	1.273	1.21	1.34
I consider ratings of CRA while I am taking investment decisions	38.81	479	.000	1.465	1.39	1.54
I aware diversified services provided by rating agencies	54.34	479	.000	1.456	1.40	1.51
Able to understand the rating methodology employed by the rating agencies	34.98	479	.000	1.269	1.20	1.34

The 't' test values of the thirteen variables of perception on credit ratings are statistically significant at 5 percent level. This shows that the investors in Erode and Coimbatore Districts are possessed adequate knowledge about credit ratings. Moreover, the investors are possessed significant knowledge on rating symbols, rating methodology and diversified services of credit rating agencies.

Factors Influencing in Perception on Credit Rating Agencies**KMO and Bartlett's Test for Perception on Credit Rating Agencies**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.655
Bartlett's Test of Sphericity	Approx. Chi-Square	868.289
	df	78
	Sig.	.000

The KMO and Bartlett's test for sampling adequacy for thirteen variables are found to be 0.655 and the chi-square value of Bartlett's test for Sphericity is 868.289. This clearly indicated that all the thirteen variables are different and perfectly distributed in a normal distribution.

This also emphasized that the factor analysis is suitable for thirteen variables of perception on credit ratings of investors.

Number of Factors Influencing Perception on Credit Rating Agencies

Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Awarding Rating symbols to financial instruments	3.15	24.22	24.22	3.150	24.227	24.227
Ratings mandatory for listed company	2.20	16.95	41.18	2.204	16.954	41.181
Rating changes over time	1.38	10.67	51.85	1.388	10.68	51.86
Rating alone is not foolproof for stock behaviour	1.12	8.66	60.52	1.126	8.66	60.52
Rating depends on company performance	.97	7.48	68.00			
Rating depends on information flows by companies	.94	7.27	75.27			
CRA offer advice and not be a guarantor for return on investment	.81	6.25	81.53			
I know major rating agencies in India	.76	5.87	87.41			
Rating is done by an independent agency	.64	4.92	92.33			
Able to differentiate the rating symbols of CRAs	.60	4.68	97.01			
I consider ratings of CRA while I am taking investment decisions	.10	1.40	98.42			
I aware diversified services provided by rating agencies	.09	0.95	99.37			
Able to understand the rating methodology employed by the rating agencies	.05	0.62	100			

Extraction Method: Principal Component Analysis.

The factor analysis by principal component method with varimax rotation has revealed four eigen values as 3.150, 2.204, 1.388 and 1.126. This indicated that the eigen values greater than 1 led to the existence of four major factors with 60.522 percent of variance.

**Variables and Variables Loadings for the Factors of
Perception on Credit Rating Agencies**

Variables / Factors	Variable Loadings
Factor-1: Rudimentary Perception on Credit Ratings	
Ratings mandatory for listed company	.814
Awarding Rating symbols to financial instruments	.724
Rating changes over time	.681
Rating alone is not foolproof for stock behaviour	.672
CRA offer advice and not be a guarantor for return on investment	.518
Factor-2: Knowledge on Rating Agencies	
I know major rating agencies in India	.589
Able to differentiate the rating symbols of CRAs	.482
Rating is done by an independent agency	.454
Factor-3: Knowledge on Rating Mechanism	
Rating depends on information flows by companies	.608
Rating depends on company performance	.545
Able to understand the rating methodology employed by the rating agencies	.467
Factor-4: Knowledge on Utility of Ratings	
I consider ratings of CRA while I am taking investment decisions	.494
I aware diversified services provided by rating agencies	.462

The rotated component matrix table indicated that the variables loadings in each predominant factors of investors' perception on credit ratings. The first factor consists of five variables which are suitably named as '*Rudimentary Perception on Credit Ratings*'. The second factor contains three variables which are suitably called as '*Knowledge on Rating Agencies*'. The third factor includes three variables which are named as '*Knowledge on Rating Mechanism*'. The fourth and final factor contains two variables which are named as '*Knowledge on Utility of Ratings*'.

**Final Cluster Centers Based on Factors of
Perception on Credit Rating Agencies**

Factors	Cluster		
	1	2	3
Rudimentary Perception on Credit Ratings	2.70	4.21	3.41
Knowledge on Rating Agencies	2.72	4.20	3.17
Knowledge on Rating Mechanism	1.13	4.21	3.75
Knowledge on Utility of Ratings	2.44	4.16	3.28

Number of Cases in each Cluster

Clusters	Number of Investors	Percent
1	58	12.1
2	238	49.6
3	184	38.3
Total	480	100.0

The final cluster centre table revealed that there exist three heterogeneous groups of investors based on the factors of perception on credit ratings.

Ranking of Final Cluster Centers

Factors	Cluster		
	1	2	3
Rudimentary Perception on Credit Ratings	Weak	Strong	Moderate
Knowledge on Rating Agencies	Weak	Strong	Moderate
Knowledge on Rating Mechanism	Weak	Strong	Moderate
Knowledge on Utility of Ratings	Weak	Strong	Moderate

The final cluster centre table is regurgitated in the above mentioned form. The second cluster of investors of 49.6 percent is possessed strong perception about credit ratings. They are highly awoken of basics of credit ratings, major credit rating agencies in India, rating mechanism followed by credit rating agencies and thorough knowledge on utility of ratings. Hence, they are called as “*Erudite Clusters*”. It is meticulously observed that the third cluster investors of 38.3 percent are moderately aware of credit ratings. Hence, they are known as “*Modest Clusters*”. The first cluster of investors of 12.1 percent are conspicuously identified as weak in the awareness on credit ratings. Hence, they are known as “*Unambitious Clusters*”

Scope for further research:

This purpose of this study is to analyse the investors’ perception towards credit rating agencies which includes a thorough analysis of awareness on credit rating agencies, investors’ attitude towards performance of credit rating agencies. The outcome of this study will be of immense help to the rating agencies in understanding the investors’ perception, to frame appropriate mechanism for avoidance of fluctuations in the ratings and adopt appropriate strategy to serve stakeholders in the capital market. The researchers made an attempt to analyse the rating structure and process and may guide the investors by giving clear ideas for their investment decision.

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