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# CREDIT RATING FRAMEWORK IN BANKS

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## ABSTRACT

Global information companies are actively providing data and analytical tools to the clients around the world. Their credit reports and ratings are also checked by the people expert in that field. A credit score is a numerical expression based on a statistical analysis of the person's credit report sourced from the person himself as well as other external sources such as credit bureau, past history, etc. Credit scoring is not limited to rating agencies and banks. The rating exercise should be undertaken normally, at quarterly intervals or at least on a half yearly basis, to assess the migration in the credit quality. The parameters used by banks in designing a scoring/rating system fall into four broad categories: Operational/financial performance of the unit; bank accounts and securities available; business/industry outlook; and promoters/management.

Banks and credit card companies use credit scores to evaluate the potential risk posed by lending money to consumers and mitigate losses due to bad debt. A poor credit rating or credit score indicates a high risk of defaulting on a loan, and thus leads to high interest rates or the refusal of a loan by the creditor. There are many credit risk agencies in India for the best companies in credit rating industry providing risk assessment, ratings and analytic solutions. Ranking of credit risk agencies has decided by the experts of India.

**KEYWORDS:** credit rating, rating dimension, credit risk scoring, credit risk rating agencies.

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