

# Essay

Time Allowed: 1½ hrs.

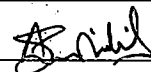
Max. Marks: 125

## Instruction to Candidates

- Attempt one essay
- The test carries 125 marks.
- Write the essay in about 1000-1200 words.
- Any page left blank in the answer-book must be crossed out clearly.

*(Examiner will pay special attention to the candidate's grasp of his/her material, its relevance to the subject chosen, and to his/ her ability to think constructively and to present his/her ideas concisely, logically and effectively):*

1. Invigilator Signature \_\_\_\_\_  
2. Invigilator Signature \_\_\_\_\_

Name Aseem Datta  
Mobile No. \_\_\_\_\_  
Date 28.09.15  
Signature 

presence of numerous borrowers makes it complex to choose where to invest the savings. It is risky to lend money to someone in other parts of the world, which may have its own social, economic and political dynamics.

Credit Rating Agencies try to alleviate this fear among potential investor. Credit Rating Agencies, as the name indicates, rates the risk associated with credit i.e. in other words, how safe is for A to invest in B. Calculating the risk is a complex task. It requires analysis of nation's macro-economic health, economic policies, political stability, etc. Using this information, Credit Rating Agencies forecast the how the economy is going to perform, and at what rate? How safe it is to invest, both long-term and short-term? Based on their ratings, investors Their ratings has a considerable influence on investors. For example: A negative rating will alert all possible investors about the high risk, and may

But attributing mistakes, like the one discussed in the above paragraph, to astrology would be harsh. These agencies rely on economic models, which ~~they~~ may not always reflect reality. Besides, they have limited human capital as well as limited data to predict the risk. We know that a nation's economy depends on various other factors like policies, implementation, society, political dynamics — which can not be precisely quantified. Various economic models, taking some assumptions, obviously, try to quantify these factors to generate credit rating. There may be differences in how one models, but attributing it to astrology, would undermine the scientific progress man has achieved. After all, sciences like physics, chemistry are also modeling the reality. We may have been more successful in these fields, but this does not mean we should stop our scientific rigour in other fields,

maturity level which other sciences have reached. Supporting them, with a caution, and not reckless bashing is the need of hour!

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