Team Radioactive – VIT Vellore

Trust and Affluence Rating – Business Model

A credit report is a summary of how you have handled credit accounts, including the types of accounts and your payment history, as well as other information that's reported to credit bureaus by lenders and creditors.

Potential creditors and lenders use credit reports as part of their decision-making process to decide whether to extend you credit, and at what terms. *Here is where factors like our trust and affluence rating, and various factors taken into consideration come into play.* Apart from credit info, several other identifying info are also used, as described in our website regarding the various models such as the education and employment models.

Trust and affluence/credit ratings service are a good idea for a startup and must be on the radar. It has many profits and in today's world, is a very important resource, something which many businesses don't have the time and means to get in depth analysis and resources. Business credit ratings have been around for a long time and are seen as being directly connected to the financial capability of a company, but despite this many companies don't maintain an awareness of them and don't fully understand the impact they can have on growth.

These ratings have a direct impact on borrowing, working capital, trade terms and tendering – all important factors for any new business. If your rating is low, it can restrict your access to supplies and prevent you from obtaining trade credit or funding of any kind, hampering your growth.

The trust and affluence rating agency is a great idea for a startup, acting as a middleman between the banks and consumer. Providing highly in-depth analysis of various affluence parameters of their customer base. For example, processed data and analysis of different affluence ratings about the target consumers can be provided to companies to make calculated decisions in product placements, ads in the right places and digital marketing strategies.

Moreover banks, potential lenders, creditors, employers, landlords may ask credit reports to extend a job, service, credit, house lease etc. Lenders, such as banks and credit card companies, use credit scores to evaluate the potential risk posed by lending money to consumers and to mitigate losses due to bad debt. Lenders use credit scores to determine who qualifies for a loan, at what interest rate, and what credit limits.

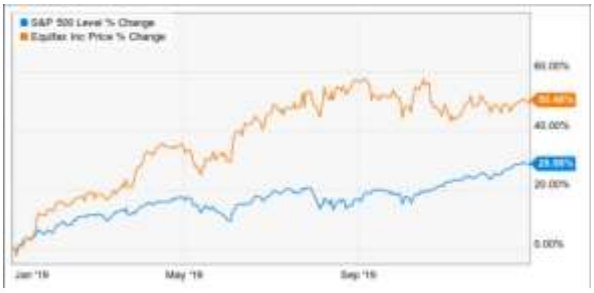
There are also scenarios where analysed credit reports are of help. A new business may have thrived during its initial months, but without enough financial data on record, credit ratings may not reflect initial success, which can restrict future growth potential. The COVID-19 pandemic has also escalated this situation, with tighter criteria being applied to lending and more credit checks being done than ever before, making it challenging for even an established business to get financial support to grow.

In the business model, rating agency charges issuers and finance arrangers a fee for providing credit ratings. As a part of the rating process, these rating agencies obtain from issuers and incorporate into their opinions of credit quality, information that might be unavailable to investors and other market participants. Since the issuer pays for the ratings, the agencies can make the ratings widely available to the market free of charge.

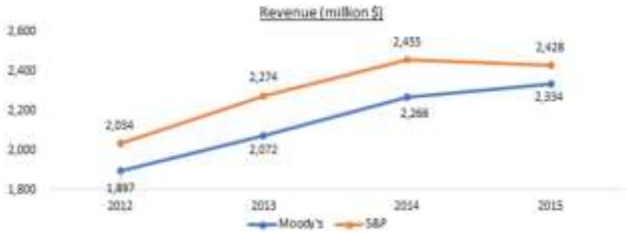
So how successful can a credit rating startup become? Upon study of some of the famous credit rating companies like Equifax, Moody’s, etc. there is a high chance of success as the data analysis is highly needed and efficient for companies and banks.

Credit rating agencies provide an independent assessment to securities or issuers. The market for the industry is humongous. The industry is set to expand as a result of increased regulatory pressure, high borrowing costs for unrated securities, and global adoption of rated securities. Looking at major players like Moody’s and S&P, The revenue of Moody’s and S&P saw a continuous growth during 2012-15 as shown in the above graph. The companies were earning an identical amount of revenue; the slight difference can be attributed to factors such as foreign exchange translation impact, marginal difference in annual fee charges, etc. Equifax stock has also seen an upward rise in recent years.

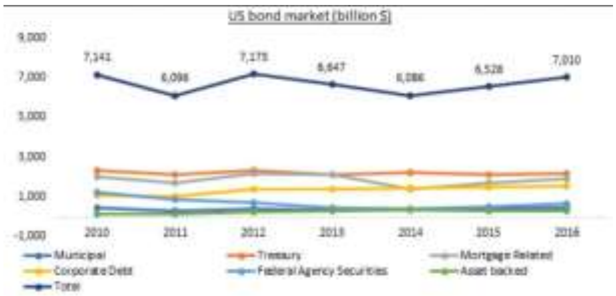
Owing to almost negligible distinction in the products and services offered, the firms need to focus on their operating cost in order to perform better and lead the industry. The use of software and databases can reduce employee cost, but assigning ratings require expertise, thus, companies require numerous experts. According to S&P in order to assign a rating to a large firm or a country anywhere between five to eight experts’ opinion is taken into account.



Equifax vs S&P stock



S&P vs Moody's credit rating agencies

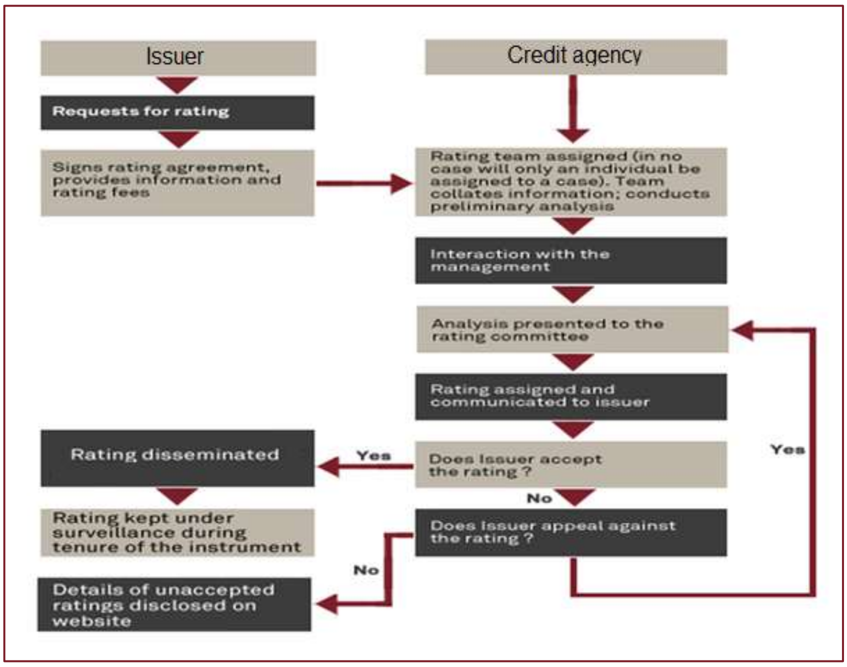


Credit rating in different domains

Thus, the business model for a credit and trust rating is viable for a startup. Knowledge is key when it comes to business credit ratings, the more you know, the more action you can take to influence them in a positive way. Business credit repair is a new concept in many countries and as a result, many business owners don't realise that they can challenge a poor rating, or that it's possible to get scores improved quickly using real time data.

Improving ratings and being aware of them in a startup and grow is vital. It has the potential to open doors to new possibilities, money, and work. Businesses may explore their full potential, maximize their financial capacities, and embark on the road to company success with a better credit rating, which is more crucial than ever in the current economic situation.

Team Radioactive as a startup, utilizing our business model of credit rating agency, strives to bring buyers and sellers together through its information management, transaction processing, direct marketing and customer relationship management businesses. Also serving services like finance, retail, credit card, telecommunications, utilities, IT. Attract issuers with a reduced price or a better fee structure while limiting employee expenditures and maintaining expertise.



By Sagar S.