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Sovereign Credit Ratings: Why India’s Upgrades Matter

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Sovereign Credit Ratings: Why India’s Upgrades Matter

Imagine you want to lend money to a friend. First, you would ask: will they pay me back? Lenders ask the same question about whole countries. A credit rating is the answer, written as a grade. In September 2026, a Japanese agency raised India’s grade to A-. This lesson explains what that grade means and why it matters.

India’s credit rating, at a glance

Four facts that clear up most exam questions

01
A- from JCR

Japan Credit Rating Agency, 2 September 2026.

02
BBB-

The lowest investment grade on the S&P and Fitch scale.

03
SEBI

Regulates credit rating agencies in India.

04
CRISIL, 1987

India’s first credit rating agency.



The Bombay Stock Exchange tower on Dalal Street, Mumbai. Investors here and abroad watch India’s credit rating closely. Photo: Kumar Appaiah, Wikimedia Commons, CC BY-SA 3.0.

Credit ratingA grade that shows how likely a borrower is to repay its debts on time.
Sovereign rating The credit rating of a national government.
DefaultWhen a borrower fails to pay back on time.
Investment gradeA rating safe enough for most big investors. BBB- or higher at S&P and Fitch.

What did JCR just do?

Current Affairs
On **2 September 2026**, the **Japan Credit Rating Agency (JCR)** raised India's rating by one step. It moved from **BBB+ to A-** (The Hindu).

- The upgrade covers India's long-term ratings in **both foreign and local currency**.
- JCR is a Japanese agency. It was set up in **1985**.
- One step on a rating scale is called a **notch**.

Why did JCR upgrade India?

- Fast growth, at **around 7%** a year.
- Strong **digital public infrastructure**, like UPI and Aadhaar.
- Reforms such as **GST**.
- Cleaner banks. Bad loans (NPAs) are now **below 2%**.
- The **Insolvency and Bankruptcy Code** and RBI checks helped clean the banks.

> **Quick check 1.** Q1. True or False: In September 2026, JCR upgraded India from BBB+ to A-. *(True or False?)* See answer ↓

What is a credit rating?

Must Know

A credit rating is like a **report card for a borrower**. It tells lenders how safe their money is. The grade comes from a **credit rating agency**, or CRA.

- CRAs rate **governments, companies and bonds**.
- A bond is a loan that investors give to a borrower. The borrower pays interest on it.
- When the borrower is a national government, the grade is a **sovereign rating**.
- CRAs do **not** rate ordinary people.
- Your personal loan record is tracked by a **credit bureau**, such as TransUnion CIBIL.

The Big Three

- Three global agencies lead the field: **S&P, Moody's and Fitch**.
- Together they hold about **95% of the market**.
- S&P and Fitch use letters like BBB-. Moody's uses its own style, like Baa3.

> **Quick check 2.** Q2. True or False: Credit rating agencies give personal credit scores to individual borrowers. *(True or False?)*
>
> See answer ↓

How do rating grades work?

Must Know

Ratings are a ladder of letters. **AAA** sits at the top. **D**, for default, sits at the bottom. Plus and minus signs split each step finer.

The rating ladder, and India’s place on it

AAA	Highest. Almost no risk of default
AA	
A+	
A-	**JCR, Sep 2026 (new)**
BBB+	R&I, Sep 2025
BBB	S&P, Aug 2025
BBB-	**Fitch (same as Moody’s Baa3)**
↑ investment grade ↓ junk	
BB+	Highest “junk” grade
B, CCC …	
D	In default

Green = investment grade · Red = junk (high-yield)

A simplified ladder on the S&P and Fitch scale. Not every step is shown. JCR and R&I use similar letters.

The most important line

- Ratings of **BBB- or higher** are called **investment grade**.
- At Moody’s, the same line is **Baa3**.
- Ratings below it are called **high-yield**, or **“junk”**.
- Many big funds are only allowed to buy investment-grade bonds.
- So crossing this line opens the door to a lot more money.

> **Quick check 3.** Q3. True or False: A rating of BB+ is investment grade. *(True or False?)* See answer ↓

Where does India stand now?

Must Know

Each agency rates India on its own. So India holds **different grades** from different agencies. Here is the picture in 2026.

Agency	India's rating	Latest move
JCR (Japan)	A-	Upgraded from BBB+, Sep 2026
R&I (Japan)	BBB+	Upgraded from BBB, Sep 2025 (AIR)
S&P Global	BBB	Upgraded from BBB-, Aug 2025 (AIR)
Fitch	BBB-	Kept the same, Aug 2026 (Outlook Business)
Moody's	Baa3	Cut from Baa2, June 2020 (The Week)

The S&P upgrade was a big moment

- S&P raised India on **14 August 2025**.
- It was S&P's **first upgrade of India in 18 years**.
- Its last one, in **2007**, had lifted India into investment grade.
- Morningstar DBRS also upgraded India, in May 2025.

Not everyone has moved

- **Fitch** kept India at BBB-, with a stable outlook.
- It pointed to India's **high government debt and deficits**.
- **Moody's** still has India at Baa3, its lowest investment grade.

Quick check 4. Q4. True or False: S&P's August 2025 upgrade was its first upgrade of India in 18 years. *(True or False?)* See answer ↓

Think it through, before reading on. India is A- at JCR but BBB- at Fitch. Is one of them wrong?

Show the explanation

Not really. Each agency weighs things differently. JCR gave more weight to India's fast growth and cleaner banks. Fitch gave more weight to India's high debt and deficits. Both agree India is investment grade. They differ on how far above the line it sits. That is why investors look at several ratings, not just one.

Why do ratings matter?

Good to Know

Why should anyone care about a few letters? Because ratings change **the price of borrowing**.

- A higher rating tells lenders the risk is lower.
- So they accept a **lower interest rate**.
- The government then pays less interest on its loans.
- That leaves more money for roads, schools and health.
- Indian companies that borrow abroad often gain too. Their costs tend to follow the country's rating.
- A downgrade works the other way. Borrowing gets costlier, and some investors may pull money out.

Quick check 5. Q5. True or False: A higher sovereign rating usually means the government must pay a higher interest rate. *(True or False?)* See answer ↓

Who rates inside India?

Good to Know

India has its own rating agencies too. They mostly rate **Indian companies and their bonds**.

- **CRISIL** was set up in **1987**. It was India's first CRA. ICICI and UTI promoted it. Today it is part of S&P Global.
- **ICRA** began in 1991. Moody's now owns a majority stake in it.
- **CARE Ratings**, now called CareEdge, is another major agency.
- Smaller ones include **Brickwork Ratings**.

Who is the referee?

- CRAs in India are regulated by **SEBI**, not the RBI.
- The rules are the **SEBI (Credit Rating Agencies) Regulations, 1999** (SEBI).

Quick check 6. Q6. True or False: Credit rating agencies in India are regulated by the Reserve Bank of India. *(True or False?)* See answer ↓

Remember this: JCR upgraded India BBB+ to A- on 2 September 2026. S&P BBB- to BBB on 14 August 2025, first in 18 years. R&I BBB to BBB+, September 2025. Fitch BBB-, Moody's Baa3. Investment

grade = BBB- or higher (Baa3 at Moody's). Higher rating = cheaper borrowing. CRAs in India: CRISIL (first, 1987), ICRA, CARE, Brickwork. Regulator: SEBI, 1999 rules.

Exam Angle

How have exams tested this?

Quick Q&A

What rating did JCR give India in September 2026?

A-, up from BBB+.

What is the lowest investment grade at S&P and Fitch?

BBB-.

Which body regulates credit rating agencies in India?

SEBI.

Which was India's first credit rating agency?

CRISIL, set up in 1987.

What does a higher rating do to borrowing costs?

It usually lowers them.

Related Topics

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Financial Stability and Development Council (FSDC)

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1. In September 2026, the Japan Credit Rating Agency (JCR) upgraded India's long-term sovereign rating to which grade?

A. BBB plus

B. A plus

C. BBB

D. A minus

See answer ↓

2. Consider the following statements about credit rating agencies (CRAs) in India:

1. They are regulated by the Reserve Bank of India.

2. CRISIL was India's first credit rating agency.

3. TransUnion CIBIL is a credit rating agency that rates sovereign governments.

Which of the statements given above is/are correct?

A. 2 only

B. 1 and 2 only

C. 2 and 3 only

D. 1, 2 and 3

See answer ↓

3. On the S&P and Fitch rating scale, which is the lowest investment-grade rating?

A. BB plus

B. BBB

C. BBB minus

D. A minus

See answer ↓

4. Match the agency with India's rating as of 2026: A. JCR B. S&P Global C. Fitch D. Moody's1. BBB 2. Baa3 3. A- 4. BBB-

A. A-1, B-3, C-4, D-2

B. A-3, B-1, C-4, D-2

C. A-3, B-4, C-1, D-2

D. A-4, B-1, C-3, D-2

See answer ↓

5. Assertion (A): An upgrade in a country's sovereign credit rating usually lowers its government's borrowing cost. Reason (R): A higher rating signals a lower risk of default, so lenders accept a lower interest rate.

A. Both A and R are true, and R is the correct explanation of A

B. Both A and R are true, but R is not the correct explanation of A

C. A is true, but R is false

D. A is false, but R is true

See answer ↓

6. In September 2026, which agency upgraded India's sovereign credit rating from BBB+ to A-?

A. Japan Credit Rating Agency (JCR)

B. Moody's

C. Fitch Ratings

D. S&P Global

See answer ↓

7. Consider the following statements:

1. In India, credit rating agencies are regulated by Reserve Bank of India.

2. The rating agency popularly known as ICRA is a public limited company.

3. Brickwork Ratings is an Indian credit rating agency.

Which of the statements given above are correct?

A. 1 and 2 only

B. 2 and 3 only

C. 1 and 3 only

D. 1, 2 and 3

See answer ↓

8. In which year was SEBI first set up, as a non-statutory body with limited powers?

A. 1988

B. 1992

C. 1995

D. 1985

See answer ↓

9. Which Act gave SEBI its statutory status and real regulatory powers?

A. The Banking Regulation Act 1949

B. The Reserve Bank of India Act 1934

C. The Companies Act 1956

D. The SEBI Act 1992

See answer ↓

10. Appeals against SEBI's orders are heard by which body?

A. The Supreme Court directly

B. The Securities Appellate Tribunal (SAT)

C. The Competition Commission of India

D. The Reserve Bank of India

See answer ↓

11. What event partly prompted SEBI's creation and strengthening as a regulator?

A. The 1991 balance-of-payments crisis

B. The 1992 Harshad Mehta securities scam

C. The 2016 demonetisation

D. The 2008 global financial crisis

See answer ↓

12. SEBI stands for what?

A. Securities and Exchange Board of India

B. Securities and Exchange Bank of India

C. State Earnings Board of India

D. State Exchange Bank of India

See answer ↓

13. Which statement best describes how the FSDC's role differs from that of individual regulators like RBI or SEBI?

A. FSDC replaces RBI and SEBI as India's single financial regulator

B. FSDC coordinates across regulators and watches system-wide risk, while RBI and SEBI keep regulating their own sectors

C. FSDC only handles insurance and pension sector disputes

D. FSDC has statutory powers that override RBI's monetary policy decisions

See answer ↓

Answer Key

1. **D.** JCR raised India by one notch, from BBB+ to A-, on 2 September 2026. It cited fast growth, digital public infrastructure, GST and cleaner banks. ↑ Q1
2. **A.** Only statement 2 is correct. CRISIL, set up in 1987, was India's first CRA. SEBI, not the RBI, regulates CRAs under its 1999 regulations. CIBIL is a credit bureau for individuals, not a CRA. ↑ Q2
3. **C.** BBB minus (BBB-) is the lowest investment grade at S&P and Fitch. The matching grade at Moody's is Baa3. Ratings of BB+ and below are high-yield, or junk. ↑ Q3
4. **B.** JCR rates India A- (September 2026). S&P rates it BBB (August 2025). Fitch kept India at BBB- (August 2026). Moody's has India at Baa3 since June 2020. ↑ Q4
5. **A.** Both are true, and R explains A. A rating measures the risk of default. Lower risk means lenders ask for less interest. The Finance Ministry said the JCR upgrade will lower India's borrowing costs. ↑ Q5
6. **A.** The answer is the Japan Credit Rating Agency (JCR). It raised India's rating one notch on 2 September 2026. It cited strong growth and a healthier banking system. ↑ Q6
7. **B.** The correct answer is 2 and 3 only. Credit rating agencies in India are regulated by SEBI, under the SEBI (Credit Rating Agencies) Regulations, 1999 — not by RBI, so Statement 1 is wrong. ICRA Limited is a public limited company listed on the stock exchanges, making Statement 2 correct. Brickwork Ratings is a SEBI-registered Indian credit rating agency, making Statement 3 correct too. ↑ Q7
8. **A.** SEBI was originally set up in 1988 as a non-statutory body, before gaining statutory status later. ↑ Q8
9. **D.** The SEBI Act, 1992 gave SEBI statutory status, letting it actually enforce its rules. ↑ Q9
10. **B.** SAT, set up in 1995 and based in Mumbai, hears appeals against SEBI's orders. ↑ Q10
11. **B.** SEBI was created partly in response to the 1992 Harshad Mehta securities scam. It exposed serious gaps in market regulation and settlement systems. This pushed reform of India's securities market oversight. ↑ Q11

12. **A.** SEBI regulates India's securities and commodity markets. ↑ Q12
13. **B.** The correct answer is that FSDC coordinates across regulators and watches system-wide risk, while RBI and SEBI keep regulating their own sectors. The Budget speech set up the Council without prejudice to the autonomy of regulators. PIB's 2013 note lists inter-regulatory coordination and macro prudential supervision in its mandate. So an option that makes it a single regulator, or lets it override RBI, does not match. ↑ Q13

Quick-check answers

1. **True.** ↑ 1
2. **False.** ↑ 2
3. **False.** ↑ 3
4. **True.** ↑ 4
5. **False.** ↑ 5
6. **False.** ↑ 6

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