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HOW GOOD IS MERTON MODEL AT ASSESSING CREDIT RISK? EVIDENCE FROM INDIA

By Alok Mishra

VDM Verlag Jan 2011, 2011. Taschenbuch. Book Condition: Neu. 220x150x3 mm. This item is printed on demand - Print on Demand Neuware - This book models the default probabilities and credit spreads for select Indian firms in the Black-Scholes-Merton framework. In particular, it shows that the objective (or real) probability estimates are higher than the risk-neutral estimates over the sample period. However, the probability measure is found to be robust to the default trigger point. The model output also compares favorably with the default rate reported by CRISIL's Average 1-year rating transitions as well as the Altman Z-score measure. However it does not generate spreads as high as those observed in the corporate bond market. Perhaps not surprisingly, this is consistent with the received literature on credit spreads. This book is meant for Credit Analysts and Officers of the Credit Risk Management Department of banks and financial institutions who are concerned with designing and developing internal credit rating models, pricing models and credit portfolio models as well as students of Finance and those teaching Risk Management. 56 pp. English.



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