

A Study on Sectoral Loan Forecasting and its Risk Exposure at KSIDC, Thiruvananthapuram

OPEN ACCESS

Volume: 13

Special Issue: 1

Month: May

Year: 2026

P-ISSN: 2321-4643

E-ISSN: 2581-9402

Citation:

Mohamed Rashik, S, and D Sahaya Beula. "A Study on Sectoral Loan Forecasting and Its Risk Exposure at KSIDC, Thiruvananthapuram." *Shanlax International Journal of Management*, vol. 13, no. S1, 2026, pp. 7–12.

DOI:

<https://doi.org/10.34293/management.v13iS1-i4-may.11065>

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Abstract

This study analyzes sectoral loan forecasting and its risk exposure at Kerala State Industrial Development Corporation Ltd. (KSIDC), Thiruvananthapuram. The study is based on secondary data collected from sector-wise loan statements. It focuses on five major sectors: Food, Health, Hospitality & Tourism, Metals and Pharmaceuticals & Medical Products. Analytical tools such as Sectoral Share Analysis, Growth Rate Analysis, Trend Analysis and Regression Analysis were used to examine loan distribution, forecast future lending patterns, and evaluate sector-wise growth patterns. The findings indicate that the Food sector shows steady growth and strong future lending potential. The Pharmaceuticals sector emerged as a fast-growing area with increasing future importance. The study concludes that effective sector-wise credit monitoring, balanced diversification, and forecasting-based lending decisions are essential for improving portfolio quality and reducing credit risk.

Keywords: Credit Monitoring, Financial Forecasting, Sectoral Loan Forecasting, Sectoral Lending, Sector Wise Analysis

Introduction

Sector-wise loan analysis has emerged as an important tool for understanding the distribution of credit across industries, identifying growth trends, and forecasting future credit demand. Sectoral loan forecasting helps institutions estimate future lending requirements based on historical trends and sectoral performance, enabling proactive and informed lending decisions. At the same time, risk exposure in sectoral lending has become a major concern, as excessive concentration of loans in specific industries may increase the possibility of repayment defaults and Non-Performing Assets (NPAs). Risk exposure analysis helps institutions identify vulnerable sectors and maintain a balanced loan portfolio by reducing over dependence on high-risk industries. Development-oriented financial institutions and Non-Banking Financial Companies (NBFCs), which

often follow sector-focused lending practices, particularly require effective forecasting and risk assessment to ensure financial sustainability. In this context, the present study examines sectoral loan forecasting and risk exposure with special reference to Kerala State Industrial Development Corporation, Thiruvananthapuram, to analyze sector-wise loan distribution, evaluate associated risks, and support better credit planning and portfolio management.

Review of Literature

Pham, H. T., & Chien, N. T. (2024) This study analyzes how diversification affects profitability and risk in Chinese banks using a semiparametric econometric approach. The objective is to measure whether spreading loans across multiple sectors improves financial performance. The results indicate that moderate diversification reduces risk and increases profitability, but excessive diversification may reduce efficiency due to monitoring costs.

Şahin, A., & Acar, E. (2024) This research investigates the relationship between sectoral concentration in bank loans and credit risk in Turkey. The main objective is to determine whether excessive lending to specific industries increases default risk. The study uses company financial statements and regression analysis to evaluate risk levels across sectors.

Upadhyay, J. P., Chaudhary, A. K., Aryal, K. P., Subed, D. P., & Adhikari, P. R. (2023) This study evaluates financial risk management practices in microfinance institutions by examining borrower characteristics and repayment performance trends. The background of the study emphasizes the increasing credit risk faced by microfinance institutions due to borrower heterogeneity and weak monitoring systems. The main objective is to analyze how borrower profiling influences credit risk assessment and repayment behavior. The study concludes that strong borrower evaluation frameworks are essential for maintaining portfolio quality and reducing non-performing loans.

Zatvornitskyi, K. (2025) This study focuses on the importance of financial forecasting in constructing optimal loan portfolios in Ukrainian banks. The findings show that systematic forecasting improves loan allocation decisions, reduces sectoral concentration risk, and enhances long-term portfolio stability.

Research Gap

In today's evolving financial environment, sectoral loan forecasting and risk exposure management have become increasingly important for lending institutions. However, there is limited research that clearly examines sector-wise lending patterns and associated risk exposure in development-oriented financial institutions such as KSIDC. Most available studies adopt general banking or NBFC perspectives, which may not fully reflect the sector-focused and development-driven lending approach of institutions like KSIDC. Hence, there is a clear need for focused research on sectoral loan forecasting and risk exposure at KSIDC to generate practical insights that can support credit planning and portfolio management.

Objectives of the Study

- To understand the historical sector-wise loan distribution and growth levels of KSIDC.
- To analyze the sector-wise loan distribution by using trend analysis.

Research Methodology

The research methodology is an important part of any study as it provides the systematic framework for collecting, analyzing, and interpreting data to achieve the objectives of the study. It helps in ensuring accuracy, reliability, and proper understanding of the research problem. In the present study, the methodology is designed to examine the sector-wise loan distribution pattern and

credit risk exposure of Kerala State Industrial Development Corporation Ltd. by using appropriate analytical tools and techniques. The study mainly focuses on understanding sectoral loan allocation, growth performance, future lending trends, and risk exposure based on secondary data collected from the internal records of the organization.

Sectoral Share Analysis

Sectoral Share Analysis refers to the study of the percentage of total loans distributed among different sectors. It helps to understand which sectors receive a larger portion of the total lending and which sectors receive a smaller share. This analysis is useful in identifying sectoral concentration in the loan portfolio.

Table 1.1 Sectoral Share Analysis

Sector Year	2020 – 2021	2021 – 2022	2022 -2023	2023 -2024	2024 – 2025
Food	14.16	16.19	18.63	17.46	21.05
Health	6.29	6.71	7.44	6.69	5.45
Hospitality & Tourism	26.64	24.06	21.78	19.65	18.43
Metals	8.97	9.68	8.45	8.11	6.47
Pharmaceuticals & Medical Products	1.56	1.20	2.91	5.42	5.02

Sources: Primary Survey

The analysis shows that Hospitality and Tourism held the highest loan share, though it declined from 26.64 (%) to 18.43 (%), indicating reduced concentration. Food Industry increased from 14.16(%) to 21.05(%), and Pharmaceutical Industry from 1.56(%), to 5.02(%), reflecting growing focus, while Health Sector remained stable and Metals Industry declined, showing diversified lending trends.

Growth Rate Analysis

Growth Rate Analysis is the measurement of the increase or decrease in loan amounts over a specific period. It indicates the speed at which lending to a particular sector is growing or declining from year to year. This helps in evaluating sector performance and loan expansion.

Table 1.2 Growth Rate Analysis

Sector	2020 – 2021	2023 - 2022	2024 - 2023	2025 - 2024
Food	14.16	16.19	18.63	17.46
Health	6.29	6.71	7.44	6.69
Hospitality & Tourism	26.64	24.06	21.78	19.65
Metals	8.97	9.68	8.45	8.11
Pharmaceuticals & Medical Products	1.56	1.20	2.91	5.42

Sources: Secondary Data

The growth rate analysis shows that Pharmaceutical Industry recorded the highest growth of 157.32(%), and 109.36(%), indicating rapid expansion in loan allocation. Food Industry also showed steady growth 48.72(%), and 37.88(%), while Health Sector maintained moderate stability. In contrast, Metals Industry and Hospitality and Tourism recorded negative growth in certain years, reflecting fluctuations in lending patterns.

Trend Analysis

Trend Analysis is the examination of loan data over multiple years to identify general patterns or directions of movement. It shows whether loans are increasing, decreasing, or remaining stable over time. This analysis is helpful for forecasting future lending patterns.

Table 1.3 Trend Analysis

Sector Year	2020 – 2021	2021 – 2022	2022 -2023	2023 -2024	2024 – 2025
Food	91.515	124.308	157.101	189.894	222.687
Health	46.286	51.538	56.79	62.042	67.294
Hospitality & Tourism	175.405	182.426	189.447	196.468	203.489
Metals	65.549	68.669	71.789	74.909	78.029
Pharmaceuticals & Medical Products	3.656	17.138	30.62	44.102	57.584

Sources: Secondary Data

The trend analysis shows that Hospitality and Tourism remained the highest funded sector, increasing from 175.405 crore to 203.489 crore, while Food Industry showed strong growth from 91.515 crore to 222.687 crore. Pharmaceutical Industry recorded the highest rise from 3.656 crore to 57.584 crore, indicating strong future potential, while Health Sector and Metals Industry showed steady growth, reflecting gradual portfolio diversification.

Regression Analysis

Regression Analysis is a statistical technique used to determine the relationship between dependent and independent variables. It helps in understanding how factors such as interest rates, economic growth, or sector performance influence loans or risk levels.

Table 1.4 Regression Analysis

Sector Year	2025-2026	2026 – 2027	2027 -2028	2028 -2029	2029 – 2030
Food	255.48	288.273	321.066	353.859	386.652
Health	72.546	77.798	83.05	88.302	93.554
Hospitality & Tourism	210.51	217.531	224.552	231.573	238.594
Metals	81.149	84.269	87.389	90.509	93.629
Pharmaceuticals & Medical Products	71.066	84.548	98.03	111.512	124.994

Findings of the Study

The Hospitality & Tourism remained the major loan-contributing sector, though its share declined from 26.64 (%) to 18.43 (%), mainly due to the institution gradually expanding lending to other sectors. This shows a reduction in sectoral concentration and improved diversification.

The Food sector showed steady growth from 14.16 (%) to 21.05 (%) and is projected to reach 386.652 crore by 2029–2030, mainly due to increasing market demand and continuous financial support. This indicates strong future lending potential in the sector.

The Metals sector showed a decline in sectoral share and moderate risk exposure, mainly due to inconsistent growth and changing market conditions. This reflects comparatively weaker sector performance during the study period.

The trend and regression analysis indicate overall growth in sectoral lending and better diversification across sectors, mainly due to increasing focus on emerging sectors and changing institutional lending priorities. This supports future expansion and balanced loan allocation.

Suggestions of the Study

- Food Industry and Pharmaceutical Industry may be given strategic lending support due to their strong growth and future potential.
- Metals Industry requires careful credit evaluation due to fluctuating growth and moderate risk exposure.
- The institution should adopt forecasting-based lending and strengthen credit appraisal systems to improve portfolio quality and reduce sectoral credit risk.

Conclusion

The study concludes that sector-wise loan allocation and risk exposure vary significantly across sectors at Kerala State Industrial Development Corporation. Hospitality and Tourism remained a major sector, while Food Industry and Pharmaceutical Industry showed strong growth potential. Overall, balanced diversification and forecasting-based credit planning are essential for improving lending efficiency and portfolio stability.

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