

Credit Flow Dynamics in India's Commercial Sector: An Econometric Assessment of Bank, Non-Bank, and Policy-Driven Financing

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Abstract: Access to timely and adequate credit is one of the most important drivers of business growth and economic development in emerging economies. In India, the credit system has gradually evolved from a bank-dominated structure to a diversified framework that includes non-bank financial companies (NBFCs) and policy-driven financing mechanisms. This study examines how these different sources of credit interact and influence the performance of India's commercial sector. Using quarterly data from 2000 to 2024, the study applies econometric techniques such as unit root testing, Johansen cointegration, vector error correction modelling (VECM), and Granger causality analysis. The results indicate the existence of a stable long-run relationship between bank credit, NBFC credit, policy-driven credit, and commercial sector output. Bank lending remains the dominant driver, NBFCs act as flexible complementary lenders, and policy-based financing contributes to inclusive and sectoral development. The findings emphasise the need for a coordinated credit ecosystem that supports sustainable economic growth, financial stability, and inclusive development in India.

Keywords: Credit flow, commercial sector, NBFCs, bank lending, policy finance, econometric analysis, India

