Financial Slack and Firm performance - Evidence from India

Nufazil Altaf
Research Scholar, Department of Management Studies, Central University of Kashmir, J&K, India.


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ABSTRACT
This study aims to investigate the impact of financial slack on firm performance in Indian Companies in light of two competing theories of corporate finance. By investigating a panel data set of 283 Indian firms over the period of 5 years, the empirical results of ordinary least squares and fixed-effects regression analysis confirmed a significant negative linear relationship between available slack and firm performance. In addition, we found a positive relationship between potential slack and firm performance. Moreover, the results of the study lend support to the agency theory of finance.


REFERENCES