

## Financial Slack and Firm performance - Evidence from 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.*

**KEYWORDS:** Financial slack, Firm performance, Agency theory, Panel data, India.

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