

**IMPACT OF FINANCIAL DISTRESS ON CORPORATE LEVERAGE  
IN INDIA – AN EMPIRICAL ANALYSIS**

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**ABSTRACT**

*An empirical analysis has been performed to analyse the association between annual growth of corporate debt and recent rise in the distressed assets, keeping in view the overall economic growth as a control variable. Long-term time-series data of twenty-three years, has been considered and analysed using multivariate regression analysis, from 1997-98 to 2019-20. The rationale behind the analysis has been the rise in distressed assets, and its consequent effects on the leverage structure of the non-financial Indian corporates. Findings suggest that, the rise in distressed assets has a significant negative impact on the annual growth of corporate borrowings, with  $\beta = -0.172$ . On the contrary, economic growth has a significant positive impact on the annual growth of corporate borrowings with  $\beta = 2.224$ . However, in the presence of annual economic growth as a control variable, a significant  $R^2$  change of 0.784 has been observed.*

**KEYWORDS:** *Financial Distress, Economic Growth, Stressed Assets, Corporate Finance.*  
*Jel Classification: G01, G30.*

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