

The Role of Foreign Investors

Discussion at NIPFP-DEA Conference

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- ▶ Uses FII and DII ownership to forecast future movements on a number of corporate finance variables for Indian firms.
- ▶ Draws conclusions that FIIs are better at picking high-productivity firms than DIIs .

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 - ▶ Different studies have used different data samples, over different time periods, from different countries.

Specific Comments (Not in Order) I

1. It would be useful to see explicit tests of differences in the coefficients from the tobit regressions.
2. Are DIIs (and for that matter FIIs) constrained in specific ways by rules or investor mandates? Would be useful information as we look at stock characteristic preferences. May also yield inaccurate interpretations about choices.
3. Related: can you demonstrate that MFs are freer to make choices (currently an assertion).
4. Doesn't this have evolutionary implications if true, i.e., some types should be going out of business?

Specific Comments (Not in Order) II

5. Are you controlling for all the right determinants of expected returns? If not, unobservable driver affects both the outcome and the treatment. For example, momentum, reversal etc.
6. Employment growth seems an odd choice of an outcome to look at: financial investors shouldn't care about this except as correlated with profitability. What about ROE, ROA, dividends, future stock returns?
7. Cheap shot: why is DII outcome better using data in 2004?
8. Cheap shot 2: presentation of the outcomes could be much better.
9. Not-so-cheap shot 3: I'd love to see standard errors on the differences of outcome measures.

Overall

- ▶ Nice work, look forward to seeing the paper.
- ▶ Good luck!