

Progress Seminar

Seminar Title	: Foreign Ownership, Cash Holdings and Financial Constraints : Evidence from Indian Firms
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Venue	: SM302
Date and Time	: 11 Sep 2025 (15:00)
Abstract	: Understanding how foreign ownership influences corporate cash policies is central to corporate finance research. The literature on cash holdings establishes that firms maintain liquidity buffers to finance future investment and hedge against financing frictions (Opler et al., 1999 Almeida et al., 2004 Bates et al., 2009). Yet, the role of ownership structure, particularly foreign investors, in shaping these buffers remains debated. On one side, foreign investor may press firms to hoard cash for precautionary motives, especially in volatile emerging markets (Vo, 2018 Hou & Liu, 2020). On the other, they may act as monitors, reducing managerial discretion and leading to lower cash balances (Loncan, 2020 Huang, Zhang & Bi, 2022). This tension leaves open the question of whether foreign ownership amplifies or curtails corporate liquidity in financially constrained contexts. We address this gap in the Indian setting, where foreign investors play a prominent role but where financing frictions remain significant (Banerjee, De & Sen, 2015). Our study employs a novel approach by incorporating the White&Wu (2006) index of financial constraints widely regarded as a superior, multidimensional measure compared to traditional indices (Kaplan & Zingales, 1997 Hadlock & Pierce, 2010). Using a panel of Indian listed firms (2014&2024) from CMIE ProwessIQ, we construct cash holdings as the ratio of liquid assets (cash, bank balances, short-term investments) to total assets, foreign ownership as the percentage of equity held by foreign institutions and promoters, and financial constraints from firm- and industry-level fundamentals. Although results are forthcoming, our proposed framework is both novel and feasible. It bridges international ownership&liquidity debates with the unique institutional setting of India, offering implications for corporate governance, investor behavior, and liquidity management in emerging markets.