With this panel analysis, one of the core assumptions is the independence of the timing of entry into the treatment. This assumption applied to investment decisions can be tenuous. Investors and firms are profit-maximizing, and, to maximize profits, these investors seek the best return on investment. Therefore, an obvious investment choice would be a high-quality firm that is currently underperforming or underpriced. Similar to a wage earner that enters an employment program because they lost their job, does the treatment in this analysis drive the increase in the financial performance of firms, or does mean reversion offer a better explanation? If firms are selected by investors because they are having unusually bad outcomes just prior to treatment, when a baseline is constructed, these firms will tend to recover resulting in the appearance of a positively biased treatment effect. However, this logic of some innate quality or downtrend at the time of investment mirrors the logic of Ashenfelter’s Dip, so we would expect to see a dip in these dynamic effects prior to the treatment effect in the event study graphs. The implication of seeing statistically insignificant would be a defense of the use of the fixed effects model and the assertion that when investors invest in a firm is as good as random.

Before beginning the discussion on the results section, discussion on the event study graphs analyzing this endogeneity of entry into the treatment. This section includes six total event study graphs looking at 5% and 12% thresholds for change in ownership from African owned to minority stakes of investors from Singapore, the United States, and China. Looking first at the 5% threshold graphs, Figures 1, 2, and 3 fail to clarify the concerns on the independence of timing of entry into treatment. Figure 1 linearly slopes upwards from lag three through the rest of the graph, and Figure 3 appears to mean revert just before entry into treatment with poor performance in the following years. In contrast, when the threshold for ownership is set at 12%, these assumptions are much more clearly up. Figures 4, 5, and 6 clearly show that a shock to the company does not occur immediately or at least 4 lags before an investor decides to invest in the firm. Therefore, entry into the treatment is essentially as good as random.

Additionally, Tables 13 to 17 substantiate this claim. These tables show regressions that checks to determine if there is endogeneity of entry into treatment by regression year of entry on the selected indicators of financial performance. If endogeneity existed, we would expect the year that a firm is treated or invested in to directly correlate with EPS, PE Ratio, Net Income, Revenue, Stock Price, or Market Cap. These factors are often thought of as being deterministic of investment. Logically, if the year of investment correlated with a lower stock price, this intuitively would make sense. An investor is taking advantage of a lower stock price or overall financial performance to maximize their returns. However, within this data, no proof of this phenomenon exists. Each correlation on the balance for US investors, Singaporean investors, and Chinese investors year of buying a firm does not correlate with any of the indicators of financial performance. Although endogeneity is highly suspected in this analysis of financial performance, these two endogeneity checks show that two-way fixed effects is an appropriate tool to use in this context. Essentially, these tables for all three countries at both thresholds show that the year of selection into the treatment is as good as random.