

# Summary of <Broadband Internet and the Stock Market

## Investments of Individual Investors>

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### 1. What are the research questions?

- Does internet use improve portfolio choices by households or amplify behavioral biases? ('democratization of finance')

### 2. Why are the research questions interesting?

- **Recent studies:** Social media usage appears, at best, to have mixed effects on the quality of financial decisions.
- **Limitations:** these studies primarily investigated the impact of Internet application use on personal financial decisions, rather than the Internet itself.

### 3. What is the paper's contribution?

- Contribute to the literature on how internet use affects the portfolio choices of individual investors.
  - **Prior studies** focus on the impact of Internet application use(Barber et al., 2022).
  - **This study** focus on the access to broadband internet.
- Contribute to the literature in household finance.
  - **Existing studies** has suggested several personal factors that affect stock market participation(Campbell, 2006).
  - **This study** analyze the effects of an exogenous reduction in the fixed costs of equity market participation due to faster internet access.
- Speaks to ongoing policy debates on the government expansion or funding of broadband infrastructure

### 4. What hypotheses are tested in the paper?

- **Hypothesis1** Faster internet would reduce the cost of financial activities and thus increase stock market participation rates.
- **Hypothesis2** Broadband may provide easier access to information about sound portfolio allocation principles and thus lead to improved choices.
- **Hypothesis3** The introduction of broadband internet has effects on aspects of financial decision making other than equity market participation.

a) These hypotheses answer the research question.

b) These hypotheses follow from common sense, and previous models of persuasive communications.

### 5. Sample

- Using several administrative register data sets from Norway.

- The register data encompass the entire population of individuals and firms in Norway , and they can be linked via unique identifiers.

**6. *Dependent and independent variables***

- Aggregate data from the individual level to the city level due to data availability, which is specific.

**7. *Regression/prediction model specification***

- Using IV model.
- Controlling for municipality and year fixed effects implies comparing changes in outcomes within municipalities while eliminating common changes over time.

**8. *What difficulties arise in drawing inferences from the empirical work?***

- Most of the data sources provide information at the individual level,
- The broadband coverage data, the source of exogenous variation, provide information only at the municipality-year level.
- For this reason, we analyze the effects of broadband internet on stock market participation rates at the municipality level.

**9. *Describe at least one publishable and feasible extension of this research.***

- Internet use and institution participation and portfolio choice improvement.