

Summary of *Broadband Internet and the Stock Market Investments of Individual Investors*

HANS K.HVIDE, TOM G.MELING, MAGNE MOGSTAD, and OLA L.VESTAD(JF, 2024)

2024.04.30 YuQingYan

1. What are the research questions?

- How does the rollout of broadband internet affect investors' market participation and portfolio choice?

2. Why are the research questions interesting?

- Prior study on subgroups of investors reveals that internet use improves portfolio choices while amplifying behavior biases.
- Data from Norway allows for the estimation of the effects within the entire population.
- Support political decisions of government funding broadband internet infrastructure.

3. What is the paper's contribution?

- Contribute to a literature on how internet use affects the portfolio choices of individual investors.
 - Existing literature: excessive trading, herding and speculation among internet users.
 - Contrary: positive effects of internet use on the stock market participation and portfolio efficiency of individual investors.
- Contribute to a literature in household finance that tries to explain the stock market participation puzzle.
 - Existing literature: personal wealth, education attainment, computer ownership and financial literacy affect stock market participation.
 - Extension: an exogenous reduction in the fixed costs of equity market participation due to faster internet access increases participation.

4. What hypotheses are tested in the paper?

- Broadband internet coverage affect investor decisions only by the channel of investors' use of internet.
- Broadband internet use leads to increased stock market participation driven by an increase in the share of the population investing in equity funds.
- Access to broadband internet reduces the cost of acquiring information about individual companies thus lead to increased trading activity and decreased diversification but improved choices.
- Firms responding to increased internet use among households by supplying the households with more online information.
- Broadband internet use increases participation in financial asset other than equity.

a) Do these hypotheses follow from and answer the research questions?

- Yes, they are all discussing the effects of broadband internet use on individual investors financial decisions including market participation and portfolio choice.

b) Do these hypotheses follow from theory? Explain logic of the hypotheses.

- These hypotheses are logically developed from the existing theory of information cost and household finance. They are aspects that broadband internet use might have influence on and the reactions of investors and firms might take.

5. Sample: comment on the appropriateness of the sample selection procedures.

- Using data on entire population and linked Data of stock market transaction with data of personal information including internet use, income and education level.

6. Dependent and independent variables: comment on the appropriateness of variable definition and measurement.

- The dependent variables are stock market participation and other results of broadband internet use. The independent variable is broadband internet use. The independent variable is the reason and the dependent variables are the results caused by the internet use.

7. Regression/prediction model specification: comment on the appropriateness of the regress/predict model specification.

- The introduction of instrumental variable and fix effects will enhance the explanation of internet use on the outcome.

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

- Sample bias. All data comes from only one country, hard to ignore the effect of culture and common knowledge on the analysis.

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

- Consider using the proportion of population installing broadband internet in different regions to proxy internet use. Analyze the effects of internet use on number of funds in different region and if possible the stock market participation.