Does membership come with privileges? The effect of ETFs on firm value

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Introduction

What do we already know?

- ETFs offer diversification benefits.
- ETFs are a cheap way to access the market.
- ETFs are transparent.
- ETFs are accessible to a wide range of investors.

Contribution: What is the effect of ETFs on firm value?

- Previous research suggested that ETF ownership has a positive effect on stock volatility (Ben-David et al. 2018).
- Hypothesis 1: ETF ownership is positively correlated with firm value.
- Hypothesis 2: ETF ownership mitigates the impact of market volatility on firm value.

Identification strategy

- Fuzzy RD design
- Data
- Summary statistics
- Regression results:

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Key findings

- Despite the positive effect of ETF ownership on firm value, this effect is not robust to changes in the data generation process.
- ETF ownership is negatively correlated with firm value when considering the impact of market volatility.

Further references


Figure 1: ETF ownership and market cap rank

Figure 2: Effect of ownership on firm value

Figure 3: Regression results: Fuzzy RD

Further references