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# Industry competitiveness using Herfindahl and entropy concentration indices with firm market capitalization data

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## Abstract

While previous studies have used sales or market share data to measure market competitiveness, this study uses firm market capitalization data to measure market competitiveness. The study uses Herfindahl and entropy concentration indices to measure market competitiveness. The study finds that market competitiveness is positively related to market capitalization. The study also finds that market competitiveness is negatively related to market share. The study concludes that market capitalization is a better measure of market competitiveness than market share.

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Notes

- <sup>1</sup> Future research can explore the use of enterprise value instead of market capitalization.
- <sup>2</sup> CRSP has had data accuracy problems with delisting codes and values used to compute survivor bias free industry indexes (Shumway, [1997](#)). Recently, CRSP has spent a great deal of time correcting these problems. Even so, CRSP data have to be watched carefully for problems, especially with recent data.
- <sup>3</sup> See Nawrocki ([1999](#)) for a survey of semi-variance and downside risk measures.
- <sup>4</sup> See Whitelaw ([1994](#)) for a description of the methodology for computing conditional returns and the monthly SD and semi-deviation statistics.
- <sup>5</sup> Generally, the Durbin–Watson statistics indicates no autocorrelation in all of the regressions reported in this study.

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