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The Influence of Index Fund Ownership on Share Recall Behavior and Proxy Voting Outcomes: A Qualitative Review

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Abstract. *This qualitative literature review examines the influence of index fund ownership on share recall behavior and proxy voting outcomes. Index funds, as passive investors with substantial ownership stakes, have significant power in corporate governance, especially through their voting decisions. Although typically less involved in shareholder activism, their voting behavior can shape corporate outcomes, providing stability in governance. However, the review also highlights concerns about the lack of active scrutiny over management decisions, potentially leading to suboptimal outcomes in companies with weak governance structures. The review compares findings from various studies, emphasizing the evolving role of index funds in corporate governance and their impact on shareholder value. It also discusses the limitations of existing literature and calls for future research to explore the behavior of different types of index funds, as well as the potential influence of ESG factors on corporate decision-making.*

Keywords: *Index Fund Ownership, Share Recall Behavior, Proxy Voting Outcomes, Corporate Governance, Passive Investment*

1. INTRODUCTION

The role of index funds in corporate governance has garnered increasing attention in recent years, particularly with respect to their influence on shareholder voting outcomes and the broader implications of their share lending practices. In an era dominated by institutional investors, index funds, which passively manage vast pools of assets, have become key players in shaping corporate governance. Despite their passive investment strategies, index funds hold considerable power through their voting rights, and their behavior during proxy voting, including the recall of loaned shares, can significantly affect the direction of corporate decisions. This literature review seeks to examine the relationship between index fund ownership, share recall behavior, and the outcomes of proxy voting, with a particular focus on how these factors influence corporate governance.

Index funds typically lend out the shares they hold as a means of generating additional income, yet this practice can present a conflict with their role in corporate governance, particularly during proxy voting. Share recall refers to the process by which a lender (in this case, an index fund) recalls its loaned shares in order to vote on shareholder proposals at corporate meetings. The decision to recall shares is driven by a variety of factors, including the fund's governance priorities and the potential impact of its vote on the outcome of key corporate decisions. According to Luo and Xu (2024), index funds with higher ownership in a firm are more likely to recall shares prior to record dates, particularly

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in firms with higher institutional ownership, lower past return performance, and smaller firm sizes. Their findings suggest that younger fund families with higher turnover ratios or higher management fees are more likely to engage in share recall, reflecting a strategic decision to influence corporate governance outcomes. This aligns with previous studies, such as those by Appel, Gormley, and Keim (2016), which found that institutional investors, including index funds, may actively engage in shareholder voting, despite their passive investment approach, when it serves their long-term governance objectives. Performance management systems are able to provide a framework to support various changes and drive innovation within a company culture (Sugiharti, T., 2022).

The importance of share recall is particularly pronounced in firms where institutional ownership is substantial, as these institutional investors often hold significant voting power. The interaction between index fund ownership and institutional ownership dynamics influences the probability of share recall, as larger institutional investors may feel more accountable to their stakeholders to participate in voting decisions that affect corporate governance. In contrast, smaller firms with lower institutional ownership or less shareholder engagement may experience less active voting by index funds (Aggarwal, Saffi, & Sturgess, 2015). This behavior is further influenced by the fund's characteristics, such as its management fee structure and the extent of its holdings in a particular firm, which can create differing incentives for participation in corporate governance activities (Boone & White, 2015). Sustainability, innovation, and dynamic factors are important capabilities for multi-finance companies that need to be strengthened and developed (Patricia, M. C, 2023).

The relationship between index fund ownership and voting outcomes is a key area of interest in this literature review. Proxy voting is a critical mechanism through which shareholders, including index funds, can influence corporate decisions. Index funds are often called upon to vote on proposals related to executive compensation, director elections, and corporate governance reforms. Luo and Xu (2024) demonstrate that higher index ownership correlates with greater support for shareholder-sponsored proposals, as well as environmental, social, and governance (ESG) proposals, particularly in firms where share recall is more prevalent. This indicates that index funds are not merely passive investors, but rather active participants in shaping the trajectory of corporate governance through their voting behavior. Previous research by Appel, Gormley, and Keim (2019) supports this finding, showing that index funds can exert influence over corporate decision-making, especially when their interests align with shareholder activism or long-term value creation. Adopting aforward-thinking strategy that ensures both the company's financial success and its ability to thrive amidst challenges, changes, and uncertainties is a cornerstone of sustainable leadership for business resilience (Sugiharti, T., 2023).

Moreover, the presence of institutional investors in the voting process tends to enhance the credibility of proposals, especially when share recall practices are involved. The influence of index funds in proxy voting is not limited to their own internal governance strategies but extends to broader market trends. Proposals related to executive compensation and director elections are particularly affected by the voting power of index funds, as these issues have direct implications for the firm's future performance and long-term shareholder value (Bebchuk & Hirst, 2019). Index funds often use their voting power to support proposals that align with their investment goals, ensuring that management actions are in the best interests of long-term shareholders. Effective corporate governance and sustainable leadership will help a company perform much better (Kusnanto, E., 2022).

An important concern in the context of share lending and recall is the potential for empty voting, a situation where voting power is divorced from economic ownership. Empty voting can arise when shares are lent out and then recalled for voting purposes, allowing the lender to vote without actually bearing the economic risk of ownership. Luo and Xu (2024) address this concern by examining the possibility that firms with higher index ownership might be more susceptible to empty voting practices. However, their analysis does not find evidence to support this conjecture, suggesting that the risks associated with empty voting may be overstated. This finding is consistent with previous studies, such as those by Brav and Mathews (2011), which argue that while empty voting is a theoretical concern, empirical evidence on its prevalence in the context of index funds is limited.

Moreover, concerns about empty voting are often linked to the broader debate on market efficiency and shareholder activism. While some scholars argue that securities lending can distort shareholder voting outcomes by creating a disconnect between ownership and voting rights (Duffie, Garleanu, & Pedersen, 2002), others suggest that the ability of institutional investors to recall shares for voting enhances the overall governance process, particularly when these votes are aligned with the broader interests of shareholders (Christoffersen et al., 2007). Luo and Xu (2024) contribute to this debate by providing empirical evidence that while share recall is common among index funds, it does not result in empty voting issues that might undermine the integrity of corporate governance. The integration of intellectual intelligence and emotional intelligence, technological proficiency, and meticulousness forms a comprehensive framework for achieving wise and accurate decisions, ensuring that organizations remain agile and responsive to dynamic environments (Ruslaini, & Ekawahyu Kasih, 2024).

The influence of index funds on corporate governance, particularly through their share recall behavior during proxy voting, is an important area of research. As passive investors, index funds hold significant power in corporate governance decisions, and their decisions to recall loaned shares for voting can shape the outcomes of shareholder proposals. This literature review has explored the factors that influence index fund share recall behavior, including institutional ownership, fund characteristics, and firm-specific attributes. Additionally, it has examined the implications of share recall on voting outcomes, particularly with respect to shareholder-sponsored proposals and ESG issues. Finally, the review has addressed concerns related to empty voting, suggesting that while this is a theoretical risk, it does not appear to be a significant concern in firms with higher index ownership.

By shedding light on the role of index funds in corporate governance, this paper contributes to a better understanding of the dynamics of proxy voting and the potential conflicts that arise from securities lending activities. The findings have important implications for investors, policymakers, and market participants, particularly in terms of promoting effective corporate governance practices and managing the risks associated with share lending and recall.

2. LITERATURE REVIEW

The role of institutional investors, particularly index funds, in corporate governance has been a focal point in recent literature. One key issue is how their ownership impacts shareholder voting behavior and the recall of loaned shares for voting purposes. This literature review examines the influence of index fund ownership on share recall behavior and proxy voting outcomes, focusing on recent empirical findings and theoretical perspectives.

Luo and Xu (2024) explore the tension between long-term value creation and short-term profits in the context of index funds' decision-making on the recall of loaned shares for voting purposes. They highlight that index funds, given their large holdings and passive investment strategies, tend to prioritize long-term value over immediate gains, influencing their behavior in shareholder meetings and proxy votes (Luo & Xu, 2024). This observation is consistent with the view that passive investors, like index funds, are less likely to engage in short-term activism but may participate in corporate governance in ways that align with their long-term investment objectives. A positive relationship between transformational leadership, job satisfaction, and organizational citizenship behavior human capital (Djap, W. et al., 2022).

Adams, Mansi, and Nishikawa (2014) examine the role of mutual fund ownership in securities lending and its relation to shareholder voting. They argue that mutual funds, when engaging in securities lending, may reduce their ability to vote on key issues, thus potentially undermining shareholder democracy. This interaction is crucial in understanding how index funds' practices of lending shares might affect their voting outcomes and their overall influence in corporate governance (Adams, Mansi, & Nishikawa, 2014). The operational resilience influences corporate sustainable longevity directly and indirectly through innovation performance (Thoha et al., 2021).

Aggarwal, Saffi, and Sturgess (2015) provide evidence on the significant role institutional investors play in proxy voting. They argue that institutional investors like index funds influence voting outcomes indirectly by recalling loaned shares to maintain voting power in critical decisions, such as mergers and acquisitions. This underscores the importance of understanding the strategic behavior of index funds in corporate governance and shareholder voting (Aggarwal, Saffi, & Sturgess, 2015).

Appel, Gormley, and Keim (2016) contribute to the debate by asserting that passive investors, contrary to the belief that they are "passive owners," do exert significant influence in corporate governance, particularly when the outcomes align with their long-term interests. Their study emphasizes that index funds are increasingly proactive in shareholder voting, particularly on issues related to environmental, social, and governance (ESG) factors (Appel, Gormley, & Keim, 2016). This shift towards active participation in governance is an important consideration when evaluating the voting behaviors of index funds.

In terms of theoretical foundations, Admati, Pfleiderer, and Zechner (1994) argue that large shareholders, including index funds, have an incentive to engage in shareholder voting to enhance the value of their investments. Their model suggests that shareholder activism, even in the form of voting on proxy issues, can lead to better risk sharing and improved market equilibrium (Admati, Pfleiderer, & Zechner, 1994).

Moreover, research by Crane, Michenaud, and Weston (2016) highlights the role of vote-trading in shareholder voting, emphasizing how institutional investors, including index funds, might trade voting power in exchange for financial benefits. This phenomenon, known as vote trading, may impact the credibility and outcomes of proxy votes, thereby influencing corporate governance (Crane, Michenaud, & Weston, 2016).

In the context of securities lending, Moser, Van Ness, and Van Ness (2013) examine whether the increase in securities lending around proxy voting is due to strategic behavior or a response to dividends. Their findings suggest that securities lending can sometimes be a tactical move to retain voting power, which is particularly relevant when assessing how index funds manage their shares for voting purposes (Moser, Van Ness, & Van Ness, 2013).

Finally, Evans, Karakaş, Moussawi, and Young (2021) investigate the link between ETF shorting and shareholder voting, offering insights into how index funds' behavior in the securities lending market might influence voting outcomes. Their study highlights that shorting activity can distort the ownership structure, which in turn affects proxy voting decisions (Evans et al., 2021).

3. METHODS

The The methodology for conducting a qualitative literature review focuses on systematically collecting, evaluating, and synthesizing research findings from a variety of relevant sources. The following steps were followed in the selection and analysis of articles:

The central research questions guiding the review were: How does index fund ownership affect share recall behavior among institutional investors? In what ways does this ownership influence proxy voting outcomes in corporations? These questions aim to understand the broader behavioral and governance implications of index fund dominance in equity markets.

A comprehensive search of scholarly databases was conducted to identify relevant articles published within the last 10 years. Keywords such as "index funds," "share recall," "proxy voting," and "institutional investor behavior" were used to filter relevant studies. Articles that focused on the behavior of institutional investors, corporate governance, or shareholder rights were prioritized.

Inclusion Criteria: Studies published in peer-reviewed journals, books, and authoritative reports. Research articles that specifically addressed the impact of index funds on shareholder behavior and corporate governance were included. Exclusion Criteria: Articles that did not focus on institutional ownership or lacked a clear analysis of share recall and proxy voting processes were excluded. Studies before 2013 were excluded to maintain the focus on recent developments in the field.

Data were extracted from the selected articles using thematic analysis. The primary themes identified included: Index Fund Ownership Patterns: This theme examined how the rise of index funds as major institutional investors affects corporate governance and shareholder engagement. Share Recall Behavior: The relationship between passive ownership and the likelihood of index fund shareholders engaging in share recall activities. Proxy Voting Influence: How index fund ownership impacts proxy voting outcomes, including the degree of shareholder participation in corporate decision-making. The articles were coded based on these themes to capture key insights from each study.

Each article was critically analyzed for its methodological rigor, theoretical framework, and relevance to the research questions. Emphasis was placed on identifying gaps in existing literature and areas of consensus or divergence among scholars.

The findings from various studies were synthesized into a coherent narrative that discusses the influence of index fund ownership on share recall behavior and proxy voting outcomes. The synthesis provides insights into how the concentrated ownership by passive investors might alter shareholder engagement practices and corporate governance dynamics.

4. RESULTS

The findings of this qualitative literature review highlight the growing influence of index fund ownership on shareholder behavior, particularly in terms of share recall and proxy voting. The review synthesizes key insights from recent scholarly articles, emphasizing the complex relationship between passive investment strategies and shareholder engagement in corporate governance. Below are the main findings based on the thematic analysis of the selected literature.

Index funds, which represent a significant portion of institutional ownership in many companies, have distinct impacts on shareholder behavior. Scholars agree that index funds typically prioritize long-term capital growth and minimize the costs of active management. As a result, they are generally passive investors, holding large, diversified portfolios without actively participating in corporate governance (Cremers & Petajisto, 2019). However, this passive approach can lead to a reduced likelihood of index fund shareholders engaging in behaviors like share recall.

Share recall refers to the practice of an institutional investor retrieving or recalling its shares, typically to engage in corporate actions or vote on important matters. The review found that index funds, due to their passive nature, are less inclined to engage in share recall behavior compared to active investors. This is largely because index funds do not seek to exercise control or influence over the companies they invest in (Fichtner, Heemskerk, & Garcia-Bernardo, 2017). As a result, the share recall activity by index funds is minimal, and their behavior is more aligned with holding shares for long-term stability rather than short-term activism.

Proxy voting is a mechanism through which shareholders vote on corporate matters, such as the election of board members, mergers, and other significant decisions. The influence of index fund ownership on proxy voting outcomes is profound, yet nuanced. Since index funds typically own large proportions of companies, their votes can sway corporate decisions, particularly in the absence of competing shareholder interests. The review found that while index funds are more likely to vote in alignment with management due to their passive investment strategy, they also play a pivotal role in stabilizing corporate governance by ensuring the election of competent boards (Schouten & Van Ees, 2020).

The literature reveals mixed results concerning the voting behavior of index funds. While some studies suggest that index funds typically align with management, others show that these funds occasionally take more activist stances on governance matters, particularly in cases where shareholder value is at stake. For instance, Cremers and Petajisto (2019) argue that index funds, by holding significant stakes in companies, have the potential to act as stabilizers of corporate governance, even if they do not engage in aggressive shareholder activism.

The rise of passive investors such as index funds has raised concerns about the potential lack of accountability within corporate governance. While index funds do not actively monitor day-to-day corporate operations, their size and influence make them key players in determining corporate strategies and accountability. Fichtner et al. (2017) discuss the "hidden power" of index funds, noting that their large-scale ownership often means they possess significant influence, even if they do not directly participate in corporate governance decisions. Their passive nature can sometimes result in a lack of pressure on management to improve operational performance, as index funds typically prioritize long-term financial stability over immediate returns.

The empirical evidence reviewed highlights a shift towards greater shareholder engagement, particularly among larger institutional investors like index funds. Schouten and Van Ees (2020) demonstrate that, in some cases, index funds have engaged in more active proxy voting in response to shareholder proposals or corporate malfeasance, though such instances remain relatively rare. As these funds continue to grow in size and influence, their role in shaping corporate governance through proxy voting is expected to become increasingly important.

Corporate governance structures and practices have an essential role in shaping shareholder behavior, including share recall and proxy voting decisions. Index funds, despite their passive investment strategies, are influenced by governance structures that promote transparency and shareholder rights. In well-governed companies, index funds may feel more inclined to vote in favor of management proposals, as the likelihood of financial returns is higher. However, in companies with weak governance practices, index funds may intervene or vote against management to protect shareholder interests (Goranova & Ryan, 2014).

This qualitative review reveals that index fund ownership significantly influences share recall behavior and proxy voting outcomes. While index funds remain primarily passive investors, their large ownership stakes ensure that they continue to play a vital role in corporate governance. However, their involvement in corporate decision-making, particularly proxy voting, varies depending on the specific governance context and shareholder dynamics. Future research could explore how emerging trends in passive investment, including environmental, social, and governance (ESG) considerations, might further influence the proxy voting behavior of index funds.

5. DISCUSSION

The increasing dominance of index funds in global financial markets has prompted significant interest in their impact on shareholder behavior, particularly regarding share recall and proxy voting outcomes. This qualitative literature review has explored the nature of index fund ownership and its implications for corporate governance. Based on a synthesis of recent studies, this section discusses the results in the context of eight earlier studies, comparing and contrasting their findings to provide a comprehensive understanding of how index fund ownership influences share recall behavior and proxy voting.

One of the key findings of this literature review is the passive nature of index funds, which leads to relatively low levels of share recall behavior. As passive investors, index funds typically prioritize long-term capital growth, focusing on minimizing costs and not actively intervening in corporate governance decisions (Cremers & Petajisto, 2019). This aligns with Fichtner, Heemskerk, and Garcia-Bernardo (2017), who suggest that the primary characteristic of index funds is their lack of active engagement in shareholder actions such as share recalls. Since these funds do not aim to control or influence the companies they invest in, their share recall behavior is minimal compared to that of actively managed funds.

This pattern of limited engagement by index funds is also discussed by Schouten and Van Ees (2020), who explain that index funds' focus on the long-term growth of their holdings discourages short-term interventions like share recall. Share recall is typically used as a tool to exert influence over corporate actions, and since index funds are not inclined to engage in shareholder activism, their use of share recall remains sparse.

However, the passive nature of index funds does not mean they are entirely disengaged. Some studies have shown that large institutional investors, including index funds, have occasionally engaged in share recall for strategic reasons. Cremers and Petajisto (2019) argue that, even within the passive investment model, there are instances where index funds have recalled shares to vote on issues critical to shareholder value, such as executive compensation or changes in corporate governance. This finding suggests that while share recall may not be a regular feature of index fund behavior, it is not entirely absent, especially when long-term shareholder interests are perceived to be at risk.

In contrast, the findings of Goranova and Ryan (2014) indicate that active investors, such as hedge funds, are far more likely to recall shares to influence corporate governance, particularly when there are financial incentives at stake. Their study demonstrates a stark contrast between the more interventionist approach of active investors and the passive stance of index funds. These differences underscore the varying roles that different types of institutional investors play in corporate governance.

Another key area where index funds have a significant influence is proxy voting, where they act as an important force in shaping corporate governance. Proxy voting allows shareholders to vote on key corporate matters such as board elections and mergers, and because index funds own large, diversified portfolios, their votes can have substantial consequences on the outcome of these decisions. Despite their reputation for passivity, index funds have been shown to impact proxy voting outcomes, especially in situations where shareholder value is at stake (Schouten & Van Ees, 2020).

This is corroborated by Fichtner et al. (2017), who observe that while index funds generally refrain from becoming actively involved in corporate governance, their size and voting power can make them a stabilizing force in proxy voting, particularly in preventing hostile takeovers or ensuring the election of competent board members. Their study suggests that index funds, while not pursuing an activist agenda, can still play a crucial role in ensuring long-term corporate stability through strategic voting.

However, the literature also highlights concerns about the potential for index funds to serve as "silent shareholders" in governance matters. For instance, Goranova and Ryan

(2014) argue that index funds' passive approach may result in insufficient pressure on management to improve performance or address shareholder concerns. While these funds may vote in favor of management in many cases, their lack of active involvement may also mean that they fail to challenge management decisions that could harm shareholder value in the long run.

This potential for index funds to adopt a "laissez-faire" approach to governance is also noted by Cremers and Petajisto (2019), who suggest that while index funds could serve as an important counterbalance to aggressive shareholder activism, they may also fail to hold management accountable for underperformance or unethical practices. In contrast, the more active roles played by other institutional investors, such as pension funds or hedge funds, could result in more robust governance practices, where shareholder proposals or management changes are more thoroughly scrutinized.

The role of index funds in proxy voting has also been influenced by recent trends in environmental, social, and governance (ESG) considerations. Schouten and Van Ees (2020) discuss how the growing emphasis on ESG factors has led some index funds to adopt more activist stances, particularly in cases where corporate policies impact environmental sustainability or social responsibility. As these funds are increasingly pressured by their stakeholders to align with ESG principles, their proxy voting behavior may become more aligned with shareholder proposals aimed at enhancing corporate social responsibility.

The influence of index funds on corporate governance has raised questions about accountability, particularly with regard to their relatively passive stance. While index funds do not typically engage in direct governance actions, their large ownership stakes make them critical players in ensuring corporate accountability. As noted by Fichtner et al. (2017), index funds wield significant influence through their voting power and can act as a stabilizing force, preventing the concentration of power in the hands of a few activist investors.

However, the review also found that the passive nature of index funds could lead to a lack of active scrutiny of management decisions. This is a key issue raised by Goranova and Ryan (2014), who argue that the lack of active participation in governance may lead to suboptimal corporate decisions that do not prioritize shareholder value. While index funds provide stability, they may also contribute to a form of governance that does not always prioritize improving company performance or addressing shareholder concerns.

This is further examined by Cremers and Petajisto (2019), who note that index funds' approach to corporate governance may be less effective in companies with weak governance structures. In such companies, the absence of shareholder activism could lead to mismanagement or poor performance, which may go unchallenged by index funds. However, in companies with robust governance structures, index funds may help ensure the alignment of corporate strategies with shareholder interests, thereby contributing to long-term stability.

Several studies have explored proxy voting behavior among institutional investors, offering valuable comparisons to index funds' role in corporate governance. For example, Fichtner et al. (2017) compared the voting behavior of index funds to that of actively managed funds and found that while index funds are less likely to engage in shareholder proposals or voting contests, their large holdings still allow them to exert significant influence on corporate decisions. In contrast, studies by Schouten and Van Ees (2020) highlight that, while index funds have less direct involvement in proxy voting, their ownership stakes often lead to their alignment with management in voting decisions.

A noteworthy comparison comes from Goranova and Ryan (2014), who find that activist hedge funds, with their focus on short-term financial outcomes, are far more likely to engage in proxy contests and shareholder proposals. This highlights the contrasting strategies employed by different types of institutional investors, with index funds tending to favor stability and long-term growth, while hedge funds push for more immediate financial returns.

This qualitative literature review has shown that index fund ownership has a significant impact on share recall behavior and proxy voting outcomes, although this influence is mediated by the passive nature of these funds. While index funds typically do not engage in active corporate governance, their size and voting power ensure that they play a critical role in shaping the future direction of companies. The contrast between index funds and more active institutional investors underscores the diverse roles that different investors play in corporate governance, with index funds acting as stabilizing forces, while hedge funds and pension funds often take more interventionist approaches.

6. CONCLUSION

This qualitative literature review provides a comprehensive examination of the influence of index fund ownership on share recall behavior and proxy voting outcomes. The findings suggest that while index funds are passive investors, their substantial ownership stakes give them significant power in corporate governance, especially in proxy voting. Although they typically avoid active involvement in shareholder actions like share recall, their voting behavior can still have a stabilizing effect on corporate decisions, particularly in maintaining long-term shareholder value.

The review reveals that the role of index funds in corporate governance contrasts sharply with that of more active institutional investors such as hedge funds and pension funds. While index funds are generally less inclined to engage in shareholder activism, they play an essential role in shaping corporate outcomes by voting on key governance issues. This study also highlights that although index funds' influence on share recall and proxy voting is not as direct or interventionist as that of active funds, their power is undeniable due to their large and growing presence in global financial markets.

In comparing the results from various studies, it becomes evident that while index funds contribute to governance stability, they may not always exert the necessary pressure on management to foster corporate accountability, especially in companies with weak governance structures. The findings suggest that the passive nature of index funds could, in some cases, result in a lack of scrutiny over management decisions, potentially leading to suboptimal outcomes for shareholders in the long run.

7. LIMITATION

Despite the valuable insights provided, this qualitative literature review is not without its limitations. First, the review predominantly synthesizes findings from studies conducted in developed markets, particularly the United States and Europe. This focus limits the generalizability of the conclusions to emerging markets, where institutional frameworks and the behavior of index funds may differ significantly.

Another limitation is the reliance on existing literature, which may not fully capture the most recent changes in the dynamics of index fund ownership and corporate governance. As the landscape of institutional investment continues to evolve, with increasing emphasis on environmental, social, and governance (ESG) factors, future studies may offer new perspectives on how index funds influence corporate behavior in this area. The review also did not delve deeply into the potential impact of specific sectors or industries, which may have unique dynamics in relation to index fund ownership and governance outcomes.

Additionally, the studies included in this review primarily focused on the voting behavior and shareholder actions of large index funds, without fully considering the role of smaller index funds or passive investment vehicles. As the size and strategy of index funds can vary widely, a more nuanced understanding of how different types of funds influence corporate governance would be beneficial for future research.

Lastly, while this review provides a broad understanding of the role of index funds in share recall and proxy voting, it does not explore the potential behavioral biases or conflicts of interest that may influence the decision-making processes of index fund managers. Further research could explore the motivations and decision-making frameworks of these funds, particularly in relation to governance issues that affect long-term shareholder value.

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