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EFFECT OF FOREIGN INSTITUTIONAL INVESTOR ON STOCK MARKET: BIBLIOGRAPHY OF UNCLASSIFIED LITERATURE

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ABSTRACT

Foreign investment was introduced in 1991 under Foreign Exchange Management Act (FEMA). This step was taken to add some source of capital formation in India as other developing economies were already in this

practice. As a result inflow of Foreign Capital has become striking measure of economic development in both developed and developing countries Now the developing countries are witnessing changes in the composition of capital flows in their economies because of the expansion and integration of the world equity market. FDI and FII thus have become instruments of international economic integration and stimulation. The Indian stock markets are also experiencing this change. FDI & FII are becoming important source of finance in developing countries including India. It is widely assumed that FDI & FII along with some other external factors such as global economic cues, Exchange rate and Internal factors such as demand and supply, market capitalization, EPS generally drive and dictates the Indian stock market. The current paper makes a comprehensive accumulation of the available literature on the "Impact of FII on Stock Markets" as Bibliography of unclassified literature
Key Words: Impact of FII on stock market, Bibliography of unclassified literature

Introduction

FII is an acronym for foreign institutional investors and refers to any entity or corporation (It also includes hedge funds, pension funds and mutual funds) that is incorporated or established outside the investing nation. India is evolving as one of the favourite markets for many foreign investors due to its status as an emerging economy buoyed by the extensive support of the government along with confidence in the financial administration set up. This claim can be supported by 2014 data that India could attract an investment of nearly US$ 24.7 billion in the debt market and US$16.3 billion in equities. The latter being the highest capital in seven emerging markets. Parallelly, Indian government bonds had posted the highest returns in Asia at 15.14%. FII as a standalone category does not exist now. As on September 2014, new investor category called "Foreign Portfolio Investor" (FPI) was created by an amalgamation of the existing three investor classes which is FIIs, sub accounts and qualified foreign investors.

Most of us tend to get confused between FDI (foreign direct investment) and FII (foreign institutional investors).The main difference is that the former can be an individual or an enterprise while the latter necessarily has to be an institution. Also, the lock-in period, registration process, investment limits and other regulations greatly vary for both of them. Earlier studies predominantly typecast foreign institutional investors in capital markets as feedback traders or portfolio rebalancers. Much of the literature suggests the existence of positive correlation between foreign institutional investment flows and lagged local equity returns, which portrays foreign investors as positive feedback for traders.

Objectives of the present work

1. Collect the literature on the effect of FII on stock market by referring to Journals, Newspapers, Doctoral thesis, Dissertations.
2. Identify and summarize the various aspects of research on this field

Limitations

1. To the extent possible, original papers/articles are referred. The referral books, Thesis and Dissertations is rather limited, due to non-availability.

Review of the existing Literature

This Review of existing literature examines recent and historical research studies on influence of FII investments on stock market. The literature review may also explain the need for the proposed work to appraise the shortcomings and gaps in research study. This analysis may go beyond scrutinizing the availability or conclusion of the past studies and their data, to examining the accuracy of secondary sources, the credibility of these sources and appropriateness of past studies. Consequently, literature shows the way to researcher moves toward the research title, objective of the study, and search out the appropriate findings. Refine the problem as necessary in light of research findings. For this study researcher has reviewed various reference books, journals, magazines, newspapers and other publications research papers, and many websites used to know the proper understanding concept and techniques of research activities.

Out of them effective literature is incorporated here as **Bibliography of Unclassified Literature**

To examine the direction of causality between foreign institutional investment (FII) trading volume and stock market returns in the Indian context was examined by **Abhijeet Chandra.** There is evidence of unidirectional causalities from stock returns to FII flows across various sample periods. The paper attempts to establish whether net FII trading volume causes

variations in stock market returns or vice versa. Daily data on three different measures of FII trading volume was used as proxy for FII trading behavior and S&P CNX Nifty returns, Granger-causality approach is applied to investigate the bi-directional causality between net FII trades and returns. The findings include Bi-directional causality between net FII investment and Indian stock market return is observed. In general, the FIIs seem to be chasing the Indian stock market returns. It is found that FII trading behavior resulting in heavy trading volumes may cause variations in stock market returns only in the very short-term, but afterwards, it is the stock market returns which cause changes in FII trading behavior.
The paper by **Goudarzi, Hojatallah and Ramanarayanan** studied the effects of good and bad news on volatility in the Indian stock markets using asymmetric ARCH models during the global financial crisis of 2008-09. The BSE500 stock index was used as a proxy to the Indian stock market to study the asymmetric volatility over 10 year's period. Two commonly used asymmetric volatility models i.e. EGARCH and TGARCH models were used. The BSE500 returns series found to react to the good and bad news asymmetrically. The presence of the leverage effect would imply that the negative innovation (news) has a greater impact on volatility than a positive innovation (news). This stylized fact indicates that the sign of the innovation has a significant influence on the volatility of returns and the arrival of bad news in the market would result in the volatility to increase more than good news. Therefore, it was concluded that, bad news in the Indian stock market increases volatility more than good news.
Sanjay Sehgal, Neeta Tripathi empirically evaluated if Foreign Institutional Investors (FIIs) adopt positive feedback and herding strategies in the Indian environment and find that FIIs exhibit return chasing behaviour when monthly data used. However, the findings have strong implications for domestic financial institutions, portfolio managers, wealth managers and other investors as well as market regulators who wish to have better understanding of FII's behaviour as the later are the dominant investors in the Indian equity market.
There has been an extensive debate on the relationship between real economy and stock market performance especially in the context of emerging markets according to **Vanita Tripathi, Ritika Seth.** This article examines the causal

relationships between the stock market performance and select macroeconomic variables in India, using monthly data from July 1997 to June 2011. We use factor analysis, ADF and PP Unit root tests, Regression, ARCH model, Granger causality and Johansen Co-integration test for data analysis. Impulse Response analysis has also been performed to check the response of stock market to shocks created in the real economy.
The Indian Markets have been the hotspot for investment according to Ray**, K. K.** The continuous boom of the Indian markets had allured the domestic investment community and also increased the foreign investment. The major portion of investment in Indian markets is always attributed to the institutional players amongst whom the foreign investors are of primary significance. The FII flows were close to $15bn in the last three months of 2007(Hindu Business Line-2008-1). However the SEBI statistics reveal that the FIIs are seen as the net sellers in the Indian markets, they sold securities worth ` 7236.8 crores since January 21, 2008 (Hindu Business Line 2008-2). On January 21 2008, BSE Sensex saw the largest ever fall in record (BSE shack by 2000 points intra-day).In this background everybody's question is whether the FII positions have caused Indian markets as we see most often or it's the other way round? This is where the crux of the present study lies. The objective of this study is to identify whether there exist a causal relationship between net investment made by FII's and the equity return in the Indian Stock Market. The author analyses the relationship between foreign institutional investment and stock returns in India (BSE) with the aid of daily data from January 2006 to June 2008. The Stationary condition for the time series data considered for analysis has been tested using Augmented Dickey Fuller Test (ADF) and Phillips-Perron (PP) Test. The Granger causality test suggests that the equity returns granger cause FII investments, but not the reverse.
Areej Aftab Siddiqui and N.A. Azad are of the opinion that the widespread pecuniary crises across the globe have raised a large number of questions regarding the interdependence of economies on the financial front. The interactions and linkages of global markets amongst each other have led to drastic breakdown of the financial machinery of the economies. Foreign direct investment (FDI) and foreign institutional investment (FII) in recent years have been preferred over other sources of external finance as they are non-debt creating and non-volatile in nature. FDI and FII also facilitate

international trade and transfer of knowledge, skills and technology. FIIs, which refer to capital flows across national borders, have risen sharply across the world and in India specifically since 1991. At present there exist widespread apprehensions regarding the nature and extent of FII flows to the Indian financial market. This research paper aims to analyze the relationship between the FII and market indices of the Indian stock market over a period of 10 years, that is, from 2000 to 2010. The study will also emphasize on the way forward for encouraging FII flows into the country and their impact on the economy of the country.

It is, generally, argued that we can attribute the rise and fall of stock market to the flow of funds and investment by Foreign Institutional Investors (FII) according to **K.V. Bhanu Murthy** and **Amit Kumar Singh.** The Indian stock market is visited by three major players—FIIs, Mutual Funds (MF) and Domestic Institutional Investors (DIIs). This article lays down the analytical framework for comparing the nature and role of the three players. It uses a framework for empirically testing the impact of each player on the stock market. Through a set of Granger causality tests, it verifies the popular hypothesis that FIIs dominate the Indian stock market. The results are quite startling. Our results show that FIIs are not the only active players who have an influence in Indian stock market even DIIs have an influence, whereas Mutual funds are the passive players. FIIs are essentially opportunistic agents who do not cause any fundamental change in the market but themselves opportunistically gain from the market.

Foreign Direct Investment (FDI) as an important driver of growth stated **Mittal Parul and Aggarwal Sandeep** also observed that it is an important source of non debt financial resources for country for economic development. Besides it is a means of achieving technical knowhow and employment generation of employment. However, many are of the view that FDI is a big threat to sovereignty of host and domestic business houses. Midst of debate on pros and cons of FDI, world economy has observed a phenomenal change in volume and pattern of FDI. India emerged as an attractive FDI destination in services but has failed to evolve a manufacturing hub which has greater economic benefit.

The article by **Lakshmi, P.** contributes to the debate whether FII trading destabilizes Indian capital market by increasing volatility. Using nine

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measures of FII trading volume the dynamic relationship between FII activity and the volatility of NIFTY spot index returns is examined in a GARCH/EGARCH framework. There is evidence of significant contemporaneous correlation between the two. The magnitude of asymmetry varies by sub period and asymmetry is greater when the markets are more volatile. Leverage effect is reduced only to a negligible level by the inclusion of trading volume of FIIs as an explanatory variable. Leverage effect of returns is intensive during the financial crisis period. During crisis, the number of shares sold by FIIs increases leverage effect in the NIFTY returns.

The study of **Sushil Bajaj** aims to examine the changes in the dynamic relationship between return registered by stocks and trading volume because of the changes in the flow of Foreign Institutional Investments in the Indian stock market. Author has tested the relationship using daily data of S&P CNX Nifty (that is, NSE's index) from 2000 to 2013 and methodologies, Generalized Auto Regressive Conditional Heteroskedasticity (GARCH) (1, 1), Exponential Generalized Auto Regressive Conditional Heteroskedasticity (EGARCH) (1, 1), Vector Auto regression (VAR), Granger causality, Variance Decomposition (VDC) and Impulse Response Function (IRF). The empirical analysis evidences the significant role of trading volume in lessening volatility and also adjudges the Indian stock market highly inefficient due to the presence of volatility persistence.

Amelia Ames in his article observes that India's economy remains far from open, even though it has loosened restrictions on foreign investment since 1991. During the Cold War period from 1945 to 1991, India was separate from the global community. Not until 1991 did India begin to implement policies encouraging international integration and softening restrictions on foreign investment. India controls investments through restrictions on both Foreign Direct Investment (FDI) and Foreign Indirect Investment (FII (Indirect)). Due to Indian exchange registration requirements, foreign investors wanting to invest in Indian stocks are required to invest in FII (Indirect) specific mutual funds. Despite these restrictions, India's current 8% growth rate continues to attract foreign investors. Outward foreign direct investment (FDI) of firms from Brazil, Russia, India and China has increased significantly during the last few years. Despite this trend, comprehensive research on the specific determinants and antecedents of outward FDI from BRIC countries is still underrepresented. The purpose of this paper of

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Dirk Holtbrügge et al. is to give a more comprehensive understanding of outward FDI from BRIC countries.

The study by **Pramod Kumar Naik and Puja Padhi** examines the dynamic interaction of institutional fund flows and stock returns volatility using daily data. Foreign institutional investors (FIIs) and mutual funds' net equity investment have been considered simultaneously using the vector auto-regression (VAR) model. The findings show that both mutual funds' as well as FIIs' net investment on equity jointly influences the stock market. While the mutual funds' net investments positively influence stock market volatility, the FIIs' net investments negatively impact volatility. However, in the presence of market fundamentals, it is found that FII's net flow does not show significant influence on market volatility, but mutual funds net flow has a significant impact on market volatility at least at the second lags. It has also been observed that the investment activities of FIIs and mutual funds are interrelated. Causality test indicates that there exists a bidirectional causation between FII's net flow and market volatility, whereas mutual funds flows do not cause volatility. In their article "Impact of Foreign Institutional Investors on the Indian Capital Market", **Mohanamani and Sivagnanasithi,** observed that foreign institutional investment signifies investments made by individual investors or companies in foreign lands. India have been witnessing a surge in FII activity since the opening of its capital markets. Owing to its high growth potential, India has become a favorite destination for FII activity. FIIs, convinced of India's economic progress ad strong corporate earnings, are continuously investing in the country. Fast GDP growth has made India a preferred destination for foreign investors post the 2008 financial crisis. This paper analyses the role ahead for the Foreign Institutional investors in the present Indian economic Scenario with the focus on the impact on the Indian Capital Market.

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Paramita Mukherjee, Malabika Roy in their article, "What Drives the Stock Market Return in India? An Exploration with Dynamic Factor Model" examined the role of the institutional investors, both domestic and foreign, in driving the return on the Indian equity market in the last decade. An attempt is made to identify the influence of other possible determinants, more specifically domestic and international financial variables, on the market returns as well. Whether there is a change in the relationship is also studied. The results uncover some interesting facts. First, there is evidence of institutional investors driving the market return after 2008, though it did not have any impact before 2008. Second, the return is significantly led by the movement of interest rates within and outside the country for the entire decade. Third, most of the major and emerging stock markets and the US market also have significant influence on Indian equity market return. Fourth, gold return used to affect the equity market return in pre-2008 years, but it ceased to do so after 2008. The results show that the determinants of the Indian equity market return have changed after the recent economic crisis of 2008.

The Foreign Institutional Investors (FIIs) have emerged as noteworthy players in the Indian stock market and their growing contribution adds as an important feature of the development of stock markets in India. FII is allowed to enter into our country only through stock exchanges either in the form of equity or debt. It makes an impact on the rise or fall of SENSEX, since FII is allowed to be purchased or sold daily. The paper, "Volatility of Indian Stock Market with Reference to Change In FII Policy 20" by **Dave, Amee and Parikh, Priya (16)** attempts to study the impact of market openings to FIIs, on Indian stock market behavior. India announced its policy on 8th March 2001 for FII investments in equity and related instruments. Using stock market data related to Bombay Stock Exchange, for both before and after the FIIs policy announcement day. An empirical examination has been conducted to assess the impact of the market opening on the return and volatility of stock return. This Research paper is mainly divided into two parts. Firstly researcher has examined impact on stock prices & average return before and after event day. And secondly it's been examined change in volatility in the Indian stock market by comparing variances of return for the event period under study and tried to cover one year time period before and after the event day to understand the exact validity and reliability of the result. Moreover the sample size of our study is 500 days daily market return. However validity of results and empirical tests has been taken place by applying Wilcoxon-Mann - Whitney test, also called as the rank sum test. Finally results indicate that there are no significant changes in the Indian stock market average returns and volatility of stock prices returns after changes in percentage of investment from 24% to 49%.

Gourishankar S. Hiremath probes the behavior of foreign portfolio flows and the interactions between flows and returns in one of the fastest growing emerging market, India. This study uses time varying generalized Hurst exponents and long memory volatility model combined with adaptive market framework to examine the issue. The results suggest that the degree of efficiency of stock market is time varying and inefficiency attracts excess returns seeking flows. But foreign institutional investors do not influence the level of efficiency in India. There exist a contemporaneous relationship between flows and returns volatility. This paper shows the significant influence of the push factors on the flows. The findings suggest effectiveness of present policy framework in India, and prudential norms are the best way to deal with the volatile portfolio flows.

The paper "Role of Foreign Direct Investment (FDI) in India's Economic Development-An Analysis" of **Syed Ibrahim and Muthusamy** attempts to review the importance of foreign direct investments in Indian economy, particularly after a decade of economic reforms and analyze the role played by the FDI in the economic development of the country. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that the foreign direct investment in India have significantly improved and developed the economy as well.

The study by Harsh Vardhan and Pankaj Sinha, "Influence of Foreign Institutional Investments (FIIs) on the Indian Stock Market: An Insight by VAR Models" examines the influence of foreign institutional investments (FIIs) on the Indian equity market and its role in integration with the United States (US) equity market. Different vector auto regression (VAR) models have been employed for sub-periods created by the structural breaks.

Mrunal Joshi et al. observed that Initiation of reform process in early 1990's transformed India's policy stance on development strategy completely. Initial

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approach of financing current account deficit mainly through debt flows and official development assistance has changed to harnessing non-debt creating capital flows. Under this strategy from September 14, 1992; Foreign Institutional Investors (FIIs) were permitted to invest in financial instruments in India. Since then Indian financial markets have changed substantially in its size, depth and character. In this period, Indian and world markets have seen good times and periods of crises both on external fronts and in financial markets this paper tries to evaluate role of FIIs in Indian markets and also tries to draw likely challenges which country might face due to increasing share of FIIs in financial markets in India.

Hariprasad (21) studies the stock ownership in Indian firms by Foreign Institutional Investors during 2013 to 2015. Several firm-level characteristics are used to measure the extent to which information asymmetry affects the level of FII ownership in these firms. The analysis reveals that the firm-size and the book-to-market ratio are significant variables in selecting the equity investments by this investor group. There is not much empirical support for beta or the export ratio as determinants of firm-level ownership. In their holdings of large-firm stocks, there is a strong evidence that FIIs prefer to hold more shares of high exports firms.

Imlak Shaikh and Puja Padhi analyzed the asymmetric contemporaneous relationship between implied volatility index (India VIX) and Equity Index (S & P CNX Nifty Index), In addition, the study also analyzes the seasonality of implied volatility index in the form of day-of-the-week effects and option expiration cycle.

This study employs simple OLS estimation to analyze the contemporaneous relationship among the volatility index and stock index. In order to obtain robust results, the analysis has been presented for the calendar years and sub-periods. Moreover, the international evidenced presented for other Asian markets (Japan and China).

The empirical evidences reveal a strong persistence of asymmetry among the India VIX and Nifty stock index, at the same time the magnitude of asymmetry is not identical. The results show that the changes in India VIX occur bigger for the negative return shocks than the positive returns shocks.

Mishra, formulated paper has the main objective of this study is to investigate whether prices in India's emerging equity market follow a random

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walk process as stated by the efficient market hypothesis. Therefore, this study examines the weak-form of market efficiency in India's stock market by testing the random walk hypothesis through multi-approaches, specifically unit root, and runs tests on the daily price of S & P CNX Nifty index of National Stock Exchange over the period from January 2008 to Mid-March 2013. The empirical results provide the evidence of stationarity indicating that stock prices do not follow the random walk process.

Anubha Shrivastav in his paper "A Study of Influence of FII Flows on Indian Stock Market" observes that, since Indian stock market is vast and attract investors as a hotspot of investment .This paper examines whether market movement can be explained by these investors and their impact on the stock markets. FII, because of its short-term nature, can have bidirectional causation with the returns of other domestic financial markets such as money markets, stock markets, and foreign exchange markets. Hence, understanding the determinants of FII is very important for any emerging economy as FII exerts a larger impact on the domestic financial markets in the short run and a real impact in the long run. The present paper is an attempt to find out determinants of foreign institutional investment in India, a country that opened its economy to foreign capital following a foreign exchange crisis. The objective of the study is to find out whether there exist relationship between FII and Indian stock market.

Rahul Dhiman in his article "Impact of Foreign Institutional Investor on the Stock Market" observes that Institutional Investor is any investor or investment fund that is from or registered in a country outside of the one in which it is currently investing. Institutional investors include hedge funds, insurance companies, pension funds and mutual funds. The growing Indian market had attracted the foreign investors, which are called Foreign Institutional Investors (FII) to Indian equity market, and in this paper, we are trying a simple attempt to explain the impact and extent of foreign institutional investors in Indian stock market.

The research article by **Hemkant Kulshrestha** envisages Indian capital market is vast and attract investors as their investment destination. The Indian market is steadily growing and had allured domestic investors community and foreign investors group in the past. The major part of investment in Indian capital market is attributed to institutional investors among whom foreign institutional investors (FIIs) are of primary importance. One eminent concern in the matter is whether these foreign institutional investors (FIIs) regulate the Indian capital market. This paper examines whether market movement can be explained by these investors and their impact on the capital markets. FIIs, because of their short-term nature, can have bidirectional causation with the returns of other domestic financial markets such as money markets, stock markets, and foreign exchange markets. Hence, the understanding of determinants of FII is very important for any emerging economy as FII exerts a larger impact on the domestic financial markets in the short run and a real impact in the long run. The present paper is an attempt to find out determinants of foreign institutional investment in India, a country that opened its economy to foreign capital due to their foreign exchange crisis. The objective of the study is to find out whether there exist relationship between FII and Indian capital market

The objective of the paper by Aditya **Srinivas** is to study the importance of FII money for Indian stock market. It focuses on the global integration of economies and its effects on the Indian economy and stock market. Methods/Statistical analysis: The paper covers the statistical analysis of FII (Foreign Institutional investor) flows and its impact on the index from 2008 to 2013, where the focus is Global financial crisis of 2008 and Euro zone crisis of 2011. The empirical analysis has been done using statistical tools. The impact of the FII flows during the two crises has been analyzed. The researchers have used t-test, correlation, regression analysis to identify the relation between FII and Indian stock market. Findings: The coefficient of correlation is 0.41 shows positive correlation and proves that there is significant relationship between the FII flows and the index. The t-test shows the value of 2.34 which means the null hypothesis is rejected and FII is the dominant player in the Indian stock market. Using regression, the forecast shows, what would be index value with a given level of FII flows? If the FII flows are ` 1,000 million then the index value comes to 16,864 and if the flows are increased to `2,000 million then the value of index comes to 17441. This shows that more the FII flows, higher is the value of the index. The intercept value of the index comes to 16,287 which means that if there are no FII flows (which is independent variable) then the value of the Index would be 16,287 (dependent variable. The value of 16,287 shows that how steep can the index fall if the FII are not putting their money.

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Applications/Improvements: The safety net, wherein the investors get the protection, should be made mandatory. The objective of the paper is study the importance of FII money for Indian stock market. It focuses on the global integration of economies and its effects on the Indian economy and stock market. The t-test shows the value of 2.34 which means the null hypothesis is rejected and FII is the dominant player in the Indian stock market. Using regression, the forecast shows, what would be index value with a given level of FII flows? If the FII flows are ` 1,000 million then the index value comes to 16,864 and if the flows are increased to `2,000 million then the value of index comes to 17441. This shows that more the FII flows, higher is the value of the index. The intercept value of the index comes to 16,287 which means that if there are no FII flows (which is independent variable) then the value of the Index would be 16,287 (dependent variable. The value of 16,287 shows that how steep can the index fall if the FII are not putting their money. Applications/Improvements: The safety net, wherein the investors get the protection, should be made mandatory. There should be an early education of the finance and stock market so that investors understand it better.

Sunita Mehta and Goyal are of the opinion that the growing Indian market had attracted the foreign institutional investors (FIIs) to Indian equity market during post financial reform period. The present article made an attempt to explain the short-term and long-term causal relationship between FIIs and Indian stock market. The study uses the monthly time series data on advances to declines ratio (ADR) of Bombay Stock Exchange (BSE) and purchases to sales ratio of FIIs. The sample period spans from April 2001 to December 2012. Further, the Granger causality reveals the presence of unidirectional causality running from FIIs to BSE-ADR during short as well as long span of period. The variance decomposition analysis clearly shows that the price changes in BSE are influenced to a very large extent by innovations in FIIs and confirms the dominant role of FIIs in information dissemination. Thus, the results suggest that BSE is significantly affected by FIIs and the latter is not influenced by variations in the BSE, that is, there exists unidirectional causality running from FIIs to BSE-ADR.

Capital is considered to be very important growth in any economy. In case of developing country like India Domestic capital is not sufficient to fulfil the requirement of economy. In that case foreign capital plays a very important role. Foreign Capital comes in two forms- FDI and FII. FDI is considered as a more stable form of foreign capital as compared to FII. But, FII inflows and outflows directly create impact on stock market. Hence FIIs have emerged as movers and shakers of Indian Stock Market. The paper of **Mayur Shah** examines the trend and pattern of FII flow in India and also examines the relationship between FII and Nifty.

Effect of news in the first moment was modeled with the help of ARCH-GARCH process and the change over 24 hours (from a closing rate to a closing rate) was measured for a period from 2004-2014. Analysis by **Gaurav Dadhich , Varun Chotia, Omvir Chaudhry** revealed the persistence of volatility and confirmed the leverage effect in Indian securities market. We observed that FIIs contributed significantly to the Indian stock market volatility. The coefficient of gross purchase was significant, suggesting that a greater volatility in gross purchase by FIIs could have greater implications for the volatility of stock indices during 2004-2014 in comparison to gross sales by FIIs.

The paper of Ashok **Banerjee & Sahadeb Sarkar** shows that the Indian stock market experiences volatility clustering and hence GARCH-type models predict the market volatility better than simple volatility models, like historical average, moving average etc. It is also observed that the asymmetric GARCH models provide better fit than the symmetric GARCH model, confirming the presence of leverage effect. Finally, our results show that the change in volume of trade in the market directly affects the volatility of asset returns. Further, the presence of FII in the Indian stock market does not appear to increase the overall market volatility. These findings have profound implications for the market regulator.

The paper by **Pasricha and Anand Bansal** studies the impact of market opening to FIIs, on Indian stock market behavior. India announced its policy regarding the opening of stock market to FIIs for investment in equity and related instruments on 14th September 1992. Using stock market data related to Bombay Stock Exchange, for both before and after the FIIs policy announcement day. An empirical examination has been conducted to assess the impact of the market opening on the returns and volatility of stock return. It was found that while there is no significant changes in the Indian stock

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market average returns, volatility is significantly reduced after India unlocked its stock market to foreign investors.

Based on 11 years data starting from 2001 to 2011, **Syed Tabassum Sultana and Pardhasaradhi** found that the flow of FDI & FII was moving in tandem with Sensex and Nifty. The study concludes that Flow of FDIs and FIIs in India determines the trend of Indian stock market.

Equity market in India has evolved over time with the market practices and conditions generally reflecting the policies put in place. This paper focuses on the impact of Foreign Institutional Investors' trading behavior on Indian Equity market by using the data obtained from the SEBI statistical reports i.e., FIIs investments during the period 2002-2012 and also analyzes the impact on India's leading exchanges' indices such as Sensex and CNX Nifty. The findings of **Siva Prasad and Hari Hara Raju** reveal that there is positive moderate relation among Net FIIs Investments and Sensex, Nifty returns. FIIs have great impact on Indian Equity market.

There is a great deal of disarray with respect to different scholars about the relationship between the volatility and the institutional holdings pattern. The deciding variable is very vague and the precedence pattern is also not known. This relationship is consistent with two stories that either riskier asset attracts the institutional investors or the increment in the institutional holding result in the increase in the volatility. The research by **Harendra Singh et al.** is directed towards finding the precedence and the sector wise impact of the institutional holding pattern.

This paper examines the role of various factors relating to individual firm-level characteristics and macroeconomic-level conditions influencing FII investment. The regulatory environment of the host country has an important impact on FII inflows. As the pace of foreign investment began to accelerate, regulatory policies have changed to keep up with changed domestic scenarios. The paper by **Nidhi Dhamija** also provides a review of these changes.

The study by **Areej Aftab Siddiqui, N.A. Azad** also emphasize on the way forward for encouraging FII flows into the country and their impact on the economy of the country.

The growing participation of FIIs in Indian stock market has raised eyebrows of many Indians. Their influence on stock markets in India has been widely debated and remained a hot topic in media. The paper "**Gupta, A. (2011);** Does

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the stock market raise or fall due to FIIs in India. Researchers World Journal of Arts, Science and Commerce, 2 (2), 99 - 107." (38) examines the relationship between Indian stock market and FIIs investment in India and finds that both, Indian stock market and FIIs influence each other; however, their timing of influence is different.

The investment by Foreign Institutional Investors (FIIs) has become a dynamic force in the development of Indian stock market and is increasingly seen as an important cause of stock market volatility. This state of affairs has propelled researchers to study the nexus between FIIs capital flows and stock market volatility. In order to ascertain the link between the two, **Bashir Ahmad Joo and Zahoor Ahmad Mir** made a modest attempt to develop an understanding of the FIIs investment and its impact on stock market volatility. The study is conducted using monthly time series on NIFTY, SENSEX and FIIs activity for a period of fifteen years spanning from January, 1999 to December, 2013. To check the non-stationarity of the time series the Augmented Dickey-Fuller (ADF) unit root test is applied. In present study, statistical tools like mean, variance, standard deviation, and skewness and correlation analysis are used to examine the impact of FIIs impact on Indian stock market volatility. In addition to these tools, GARCH model is also used to study the impact of FIIs capital flows on stock market volatility. The study reveals that there is significant relationship between FIIs capital flows and stock market volatility. Moreover, FIIs investment has statistically significant influence on volatility of NIFTY and SENSEX, used as proxy to Indian stock market.

The present research paper of **Santosh Chauhan** is an attempt to find out the impacts of FDI (Foreign Direct investment), FIIs (Foreign Institutional Investment), and FPIs (Foreign Portfolio investment) inflows on the movement of BSE (Bombay Stock Exchange) and NSE (National stock exchange) during period under study. The study is purely based on secondary data which were analyzed through Regression (OLS Model), Karl Pearson's correlation, Analysis of Variance, etc., and found that FDI affects the most both Sensex and Nifty up to 61% and 86% respectively and is associated highly and positively with both the markets with a score of 0.78 and 0.92 respectively according to the Karl Pearson's coefficient of correlation. However, the FPIs showed a very low impact on Sensex and a comparative high impact on NSE.

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During the study period the least significant factor with lowest impact on Sensex and nifty was FIIs.

The study presented by **Ranjan Dasgupta** aims at investigating the driving factors as found and discussed in various relevant studies pushing the FIIs in pouring money to the Indian stock market over the years post liberalization. All useful studies as available from internet-searching and print-publications dealing with mainly the determinants of FIIs post-liberalization of the Indian stock market have been accounted for under this study. Then, these studies are thoroughly read out to pinpoint the driving factors behind FII flows, other related issues, and overall the limitations of such studies which should be avoided by future ones. This study finds that domestic stock market returns, domestic macroeconomic fundamentals, and India-specific stock market-driven factors have been the most influential determinants amidst contradictions and similarities in empirical studies. However, there is ample scope for future studies to look into the nature and behavior of FIIs with advanced time series techniques such as ARCH methods. Also, the role of international push factors as drivers of FII flows should be studied by future researchers. Thus, this study is of immense help to future researchers, stock market practitioners, investors, and other stakeholders to do literature review and find their required information in regard to determinants of FIIs flows. It is also one of a pioneering nature in the field of literature review in the Indian stock market investigating the drivers behind FII flows.

Foreign institutional investors have gained a significant role in Indian stock markets. The dawn of 21st century has shown the real dynamism of stock market and the various benchmarking of sensitivity index (Sensex) in terms of its highest peaks and sudden falls. In this context present paper examines the contribution of foreign institutional investment in sensitivity index (Sensex). Also attempts to understand the behavioral pattern of FII during the period of 2001 to 2010 and examine the volatility of BSE Sensex due to FII. The data for the study uses the information obtained from the secondary resources like website of BSE Sensex. **Karan Walia** attempted to explain the impact of foreign institutional investment on stock market and Indian economy. Also attempts to present the correlation between FII and BSE Sensex by the Karl Pearson' Coefficient of correlation test.

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The research of **Jasneek Arora and Santhosh Kumar** makes an attempt to study the effects of trading behaviour of foreign institutional investors on the Indian capital market. We found out that there are no significant changes in the Indian capital market returns and volatility is significantly reduced after opening up of the market to foreign investors.

Main purpose of this research paper of **Rakesh Kumar et al.** is to measure impact of FII and other stock exchange volatility on the BSE stock Exchange volatility. In this paper various factors are considered under scope of the study which are BSE Sensex, FII (Foreign Institutional Investment), Relationship among different foreign stock exchange which are from the UK, USA and Japan. For the purpose of analyzing the data a period of 3 months (i.e. from 1 April 2014 to 30 June 2014) has been taken into consideration. . The appropriate statistical techniques as correlation model, multivariate regression model etc. have been used for analyzing the data.

This study have been found out that there is a close and direct relationship of the BSE Sensex with the FTSE and NASDAQ Stock Exchange as well as there is inverse relationship of the BSE Sensex with the FII and Nikkei. Practical Implication- Through this study researcher can say that by analyzing these factors we can predict the movement of the BSE Sensex. This study will helpful to the investor to predict the BSE stock movement on the basis of other factors. And it will in the minimization of the risk and betterment of return for the investor who invest in the secondary capital market or trade in the equity share.

The paper by **Shweta Goel and Harmpret Kaur** attempts to study relation between flow of foreign institutional investors with Indian stock market which was opened for world investors with the reforms of 1991. The study takes into consideration data for over past 13 years covering period from January 2001 to September 2013. Hypothesis testing has been undertaken to find whether there is a significant relation between foreign institutional investor flow and stock market performance. The data has been analyzed using regression model by regressing stock prices data over foreign institutional investor's data. The results showed there exist a positive relation between the variables in question and nearly one tenth variation in stock performance can be explained by foreign institutional investors flow.

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Karthikeyan et al. in their project examined whether market movement can be explained by these investors and their impact on the capital markets. FIIs, because of their short-term nature, can have bidirectional causation with the returns of other domestic financial markets such as money markets, stock markets, and foreign exchange markets. Hence, the understanding of determinants of FII is very important for any emerging economy as FII exerts a larger impact on the domestic financial markets in the short run and a real impact in the long run. So, it attempted to find out determinants of foreign institutional investment in India, a country that opened its economy to foreign capital due to their foreign exchange crisis.

Milan B. Undavia makes an attempt to develop an understanding of the dynamic of the trading behavior of FIIs and effect on the Indian equity market. The analysis also finds that movements in the Indian Capital Market are fairly explained by the FII net inflows.

FIIs have a huge financial strength and invest for the purpose of income and capital appreciation. They are not interested in taking control of a company. FIIs are permitted to trade in securities in primary as well as secondary markets and can trade also in dated government securities, listed equity shares, listed non-convertible debentures/bonds issued by Indian company and schemes of mutual funds but the sale should be only through recognized stock exchange. These also include domestic asset management companies or domestic portfolio managers who manage funds raised or collected or bought from outside India for the purpose of making investment in India on behalf of foreign corporate or foreign individuals. These can invest their own funds or invest funds on behalf of their overseas clients registered with SEBI. The client accounts are known as 'sub-accounts'. In the Indian context, FII and their sub-accounts mostly use these instruments for facilitating the participation of their overseas clients.

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Government securities, listed equity shares, listed non-convertible debentures/bonds issued by Indian company and schemes of mutual funds but the sale should be only through recognized stock exchange. These also include domestic asset management companies or domestic portfolio managers who manage funds raised or collected or bought from outside India for the purpose of making investment in India on behalf of foreign corporate or foreign individuals. These can invest their own funds or invest funds on behalf of their overseas clients registered with SEBI. The client accounts are known as 'sub-accounts'. In the Indian context, FII and their sub-accounts mostly use these instruments for facilitating the participation of their overseas clients.

This research paper **Krishna Mohan and Sivaprasad** makes an attempt to develop an understanding of the dynamics of the trading behavior of FIIs and effect on the Indian equity market. The study is conducted using yearly data on five indices form S&P BSE and FII activity over a period of 10 years spanning from 01st April 2006 to 31st March 2016. It provides the evidence of significant positive and negative correlation between FII activity and effects on Indian Stock Market. The analysis also finds that the movements in the Indian Stock Market are fairly explained by the FII net inflows.

M.S.Ramaratnam et al. attempted to assess the FII investment and movement of Sensex on the basis of empirical data and also tests any significant difference exists in terms of FII investment towards equity and debt through application of t-test.

Mukherjee (2002) examined the various probable determinants of FII and concluded that (1) Foreign investment flows to the Indian markets tend to be caused by return in the domestic equity market; (2) Indian equity market return has an impact on FII flows; (3) performance of the Indian equity market are influenced by the FIIs sale and FIIs purchase, (4) FII investors do not consider Indian equity market for the purpose of diversification of their investment; (5) returns from the exchange rate variation and the fundamentals of the economy may have an impact on FII decisions, but such influence do not prove to be strong enough.

Douma, Kabir and Rejie investigated the impact of foreign institutional investment on the performance emerging market firms and found that there is a positive effect of foreign ownership on firm performance. They also found the impact of foreign investment on the business group affiliation of firms.

For the present study, **Ram Kumar Goyal** has selected Capital Market – SENSEX for study which is most important factor of market movement. For

the purpose of basic analysis, graphical data will be derived from the monthly data and compared with monthly net investment of FIIs. Using line chats the movements in both the variables are studied, compared and analyzed.
The purpose of the paper is to examine the direction of causality between foreign institutional investment (FII) trading volume and stock market returns in the Indian context. There is evidence of unidirectional causalities from stock returns to FII flows across various sample periods. The paper attempts to establish whether net FII trading volume causes variations in stock market returns or vice versa.
Whether fluids or funds, find and follow their slop invariably. Foreign Portfolio Investment (FPI) is one such entity, which either boosts or impedes stock market movements and investment sentiment with each of its passing breeze. When economy is in trouble, when currency under depreciation pressure, current account in red, widening fiscal deficit then from a country's finance ministry to common retail investor in stocks market pray and wait eagerly for financial institutional investors pouring in their funds in the stock market. In turn the foreign portfolio investments raise the bar and motivate the performance of the corporate world. They bring in paradigm shift in the focus of industry by enhancing the PE expectations. No doubt FPIs do play miracles in the stock market but the question is how sustainable it is.
In the paper under consideration an attempt is made to understand the role of FPI and its degree of influence on stock market indicators such as Price Earnings multiple(PE), Dividend Yield (DY), Book Value (BV) of NIFTY.
The present paper (56) investigates interactions of foreign institutional investments with market returns and market volatility in India using both static and dynamic models based on daily data. The findings of both models show foreign investors as positive feedback traders while investing in the Indian market, and as negative feedback traders during their withdrawal. Using the impulse response functions based on vector auto regression, we find strong evidence that foreign institutional investments destabilize the market, particularly with selling activities, as they significantly increase the volatility.
The study of **Manjinder Kaur** found that a bi-directional causality exists between stock prices (Sensex) and net investment of Foreign Institutional Investors (FIIs). Thus, FIIs indulge in 'momentum' or 'positive feedback'

trading hypothesis. Indian macroeconomic system has also been observed as bearing the heat of FIIs activities.
Herd behaviour of FIIs prevails significantly in Indian stock market. During adversity, the chances of instability are higher since it is the sell herd which has been found to be more pronounced and may eventually end up in financial crisis. The study concludes that FIIs investment is a major factor behind both financial and macroeconomic instability in India.
With the advent of Liberalization, India attracts a large sum of FIIs every year. These foreign investments have a great impact on the Indian Stock Market. National Stock Exchange of India, which is one of the indicators of the Indian Stock Market, is also being affected by the foreign investments. This study of **Khan Mohamed Shahfraj and Khan Aslam,** has therefore been done to validate the null hypothesis that this foreign institutional investment being made in India affects the National Stock Exchange of India and Indian stock market as well. The stock market data have been taken from the websites of NSE, and the net FIIs data have been taken from the GOI report. A descriptive study has been done to validate the null hypothesis about the relationship between FIIs and Stock Market Volatility and also the impact of FIIs on the market capitalization and turnover of NSE. The relationship has been checked on yearly and monthly basis and the data for same have been collected for 10 years. During the study, yearly and monthly data of Turnover and Market Capitalization of NSE and net FIIs investments of 10 years (2000–10) have been collected.
The present study (**59**) has been carried to study the impact of FII on Indian stock market with the support of empirical data for the period January 2004–Dec 2013, i.e., a time span of ten years, covering the period before, during and after the eruption of the global financial crisis. For the purpose of the study 6 indices have been chosen which include CNX Nifty and 5 sectoral indices of NSE i.e. CNX Auto, CNXPSU Banks, CNX Pharma, CNX FMCG and CNX IT. To study the degree of relationship between FII and various NSE indices, Karl Pearson's Coefficient of Correlation, Regression Analysis and T test have been used. The study concluded FIIs and stock market in India are positively correlated with stock market playing to the tunes of FII
Amanjot Singh and Manjit Singh attempted to capture the impact of financial stress prevailing in the Indian as well as US financial system on FII flows in

the Indian equity market by employing logistic regression model. The span of monthly data ranges from 2004 to 2014. Owing to non-existence of any standardized index, the study firstly constructs Indian Financial Stress Index. The empirical results have established that with an increase in financial stress in the Indian and US financial system probability of positive FII flows reduces and consequently the probability of negative flows increases. The results are critically important for the international as well as Indian investors.
Ankita Bhatia & Nawal Kishor investigates the nature of the causal relationship between Net FII flows, the Stock Price Movements, and Foreign Exchange Reserves (FERs). The unit root test was applied to ascertain stationarity of the time series data and then by applying the Granger Causality Test, the causal relationships using monthly data for the 20 years period was tested. The results show that there is bi-directional Granger Causality between BSE (Bombay Stock Exchange) Sensex and FII Flows. Thus FII Flows are Granger Caused by BSE Sensex and BSE Sensex is Granger Caused by FII Flows. The FERs do Granger Cause BSE Sensex but BSE Sensex does not Granger Cause FERs. There is bi-directional Granger Causality between FERs and FII Flows. Thus FII flows Granger cause FERs and similarly FERs Granger Cause FII Flows.
The present paper makes an attempt to study the various features of foreign capital flows into India along with their determinants. It concludes that the size of net capital inflows to India has increased significantly in the post reform period. The movement of capital inflows in recent years clearly indicates that capital inflows in India are highly volatile. The Government of India has been continuously proceeding for economic reforms and is quiet, assured to secure legislation to allow more foreign investment in various sectors.
This broadsheet by **Sathya Pal Sharma** scrutinizes the role of these stockholders in Indian speculation arcade growth and catches that the input to monetary constancy can be explicated by the way of the capitals tide from these stakeholders.
FII's are institutions established or incorporated outside India, which proposes to make investment in Indian securities. The FII's have been playing key role in the Indian capital market, since their entry in the early 1990's. Their importance has been growing overtime and their net investment is on the rise

in the recent past. This portfolio flows by FII's bring with them great advantage as they are engines of growth while lowering the cost of capital in the emerging market. This paper of Gopinathan **and Rau** indicates whether Foreign Institutional investors have emerged as the most dominant investor group in the domestic market or not.

An attempt has been made in this paper to test the correlation between foreign institutional investments or foreign direct investment and the real economic growth in India over a period 2000-01 to 2009-10.

The FIIs have been playing a key role in the Indian financial markets since their entry into this country in the early 1990s. Their importance has been growing over time as their net investment is on the rise over time. The paper of **Ashish Varughese et al.** analyses importance of foreign capital, the role of FIIs in Indian Equity and Debt market and compares the investment activities of FIIs and domestic institutional Investments.

Naveen Sood observes in his paper " Significance of FDI and FII for the economic growth of India: Statistical analysis 2001-2015" that FDI and FII both are associated with improved economic growth due to the influx of capital and increased tax revenues for the host country. The host countries often try to channel FDI investment into new infrastructure and other projects to boost development. Furthermore, foreign investment can result in the transfer of soft skills through training and job creation, the availability of more advanced technology for the domestic market and access to research and development resources. The local population may benefit from the employment opportunities created by new businesses. In India there is nexus between FDI and economic growth. The present paper attempts to study the significance of FDI and FII for the economic growth of India during 2001-2015. In order to achieve the objective of the paper, data have been collected from various secondary sources and the tools of correlation and regression have been applied. The study concludes that FDI affects the economic growth of India significantly whereas the role of FII for the economic growth of India is statistically insignificant. Mauritius has emerged as the most dominant source of FDI contributing 89.64 US$ billion and accounts for 34.74% of the total FDI inflows in India and the FDI inflows in services is the highest with 43.35 US$ billions i.e.16.80% and during the period of study.

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Bedi and Kharbanda , analyzed various problems and challenges of foreign direct investment and concluded that poor infrastructural facilities and poor labour laws hamper the inflows of FDI in India.

Himachalapathy made comparative analysis of FDI in India and China and concluded that China had attracted more FDI inflows due to more conducive policies for foreign direct investment as compared to India.

Babar and Khandare, have done the sectoral analysis of FDI participation and the main focus of the study is on changing structure and direction of India's FDI during globalization period. The study is done through analysis of benefits of FDI for economic growth.

Singh, Shikha , studied various factors which played a significant role in attracting FDI into a particular state and found that foreign direct investment (FDI) policies played a major role in the economic growth of developing countries around the world and the FDI in India, after the economic reforms, have affected the growth of Indian states

The current study by **Pashmeen Kaur and Vandana Khanna** will contribute to study the impact of Make in India movement on Indian Stock market in the context of Foreign Institutional Investors (FIIs). For the purpose of analysis, data of FIIs has been examined for the period from September, 2014 upto December, 2015. The empirical findings clearly demonstrate that Indian stock market is exhibiting the seasonal movements in the period under study.

After analyzing all the facts it may be concluded that maximum global foreign investment's flows are attracted by the developed countries rather than developing and under developing countries. Foreign investment flows are supplementing the scare domestic investments in developing countries particularly in India. Further this paper of **Jasbir Singh, Sumita Chadha and Anupama Sharma** recommends that we should welcome the inflow of foreign investment because it enable us to achieve our cherished goal like making favorable the balance of payment, rapid economic development, removal of poverty, and internal personal disparity in the development and also it is very much convenient and favorable for Indian economy

The current paper makes an attempt to study the relationship and impact of FII on the sectoral market indices of the Bombay Stock Exchange using simple statistical tools like Correlation coefficient and Granger-Causality test. Based on the last 14 years data from 2001-2014 it was found that FII has significant impact on some of the sectoral indices in India. This has improved opportunities of financial integration enabling the returns from the sectoral indices to be favorable for the investors.

Chousa et al. tried to review whether stock markets are simply known to be centre of all speculative activities, or whether they are importantly able to draw firm level FDI in the form of cross-border mergers and acquisitions activities. They applied pooled regression technique by covering nine leading emerging economies for the period of 1987-2006. They found a strong positive impact of stock markets on cross border mergers and acquisitions deals and values.

Pooja Nagpal made an attempt is made by to study the impact of FDI and FII flow on Indian Stock market (BSE Sensex and NSE Nifty). The study covers the time horizon of 10 years from 2005-06 to 2014-15.

A. Lakshmi et al. attempted to explain the impact of foreign institutional investment on stock market and Indian economy. Also attempts to present the correlation between FII and BSE Sensex by the Karl Pearson' Coefficient of correlation test.

FII is defined as an institution organized outside of India for the purpose of making investments into the Indian securities market under the regulations prescribed by SEBI. FII include "Overseas pension funds, mutual funds, investment trust, asset management company, nominee company, bank, institutional portfolio manager, university funds, endowments, foundations, charitable trusts, charitable societies, a trustee or power of attorney holder incorporated or established outside India proposing to make proprietary investments or investments on behalf of a broad-based fund observed, **Sumit Goyal et.al. (78)**

Summary of observations in the Bibliography of Unclassified literature

The present section summarises briefly the findings of the literature surveyed

The studies are an addition to the existing body of knowledge as very scanty work is available in this area of research in case of India. As we know that the BSE Sensex has touched new heights. That is mainly due to foreign institutional investment. Why are the foreign institutional investors coming to India? What will be the impact of this boom on Indian stock market? To find out the answer of these questions and to know another aspects related to

foreign institutional investment, the study is structured. The present study is an attempt to find out the impact of foreign institutional investment on Indian stock market and to highlight the procedural and legal aspect related to foreign institutional investment in India. The study will also contain the trends of foreign institutional investment in India and with the help of the data an attempt was made to determine the factors determining the flow of FIIs in India.
The study is relevant by the following angles:
The interest of the investor in a country's capital market depends on the price movement and volatility. So, it is very import to study factor that can affect the price movement or volatility of the market. Factor like FII is of crucial importance in determining the stability of the market.
After the severe crash in 2008 there was a big debate on the role of FIIs in the crash and there was a lot said about FIIs becoming the drives of the Indian Capital market. This statement also makes it very important to study the quantum of the effect that FIIs has on the Indian Market.
If the capital market is highly dominated by FIIs. What actions are taken by government to control the activities of FIIs and what are its implications on the Indian market? Is it important for the investors of the country are some questions that are very important for any market and to those who are in a controlling position of the market? The study aims at solving this problem which makes it extremely important for the capital market and the market regulators.
The role of regulators in an open market is very crucial; the regulators in such market are responsible for growth, development and stability of the market. In order to ring growth and stability together the regulators try to maintain non-dominance condition in the market. But when the regulators fail the market crashes which are seen in the Indian markets in 2008. So, it becomes important to study the role of regulators in designing policies to stabilise the market and the implication of the changes in the market regulations on FII investment.
FIIs bring in a lot of money with them which can be used by various parties in development of economy, but at the same time it is also very crucial for the regulators to keep a check on their investment pattern as removal of all funds together can lead to a severe crash situation. This can affect the investors' trust

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on the market. The instability in the market can cause a panic situation which can lead to a huge lose to the economy.

Hypothesis

1. H0: There is no relationship between FIIs and Stock Market.
2. H1: There is a close relationship between FIIs and Stock Market.

Data Collection

These studies are primarily based on secondary data. The data related to FDI & FII have been collected from various sources i.e. Bulletins of Reserve Bank of India, publications from Ministry of Commerce, Govt. of India.

Findings of the Studies (general)

- The flow of FDIs has shown an increasing trend during the considered period except during the years i.e. 2002-03, 2003-04, 2009-10, 2010-11 & 2012-13.
- The flow of FII has shown a mixed trend, during the year 2008-09 there was a negative flow of FII.
- When flow of FII and FDI are compared, the flow of FII is less than flow of FDI into India except for three years i.e. from 2003-04, 2004-05 & 2005-06.
- The value of both indices show a mixed trend but both of them are moving up or down at same time.
- There is a negative correlation between FDI & Sensex and FDI & nifty i.e. -0.06 & -0.05 respectively.
- There is a strong positive correlation between FII & Sensex and FII & nifty i.e. 0.60 & 0.63 respectively.
- Flow of FDI has no significant impact on BSE Sensex.
- Flow of FII has significant impact on BSE Sensex.
- Flow of FDI has no significant impact on CNX Nifty.
- Flow of FII has significant impact on CNX Nifty.

Future perspectives of the Study

The study would be supportive for more expressive studies on the thoughts that will be explored. Furthermore, it would be beneficial to gain knowledge concerning foreign institutional investments their process of registration and their force on Indian stock market and different industrial sectors. The study

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grants a very apparent depiction of the impact of foreign institutional investors on Indian stock indices. It will also express the market tendency due to FIIs inflow and outflow. The empirical investigation of the course of causes between FIIs activities and Indian stock market performance over the time period year 2003 to year 2012 for 10 years has revealed that FIIs activities are caused by rather than causing the Indian stock indexes.

Research result gives the logical analysis by the different time lags which will be provide trend of FIIs investments and performance of Indian stock market. Thus research gives diagnostic result at particular time lags like as 3 years, 5 years, and 10 years.

The study is dynamic in nature. It is not end of this research study. It is quite wider in nature. So the future research can more research activity regarding volatility BSE & NSE. There is not only FIIs investments play important but also FDI investment crucial role in Indian stock market. Research study might be more analytical and excellent with consideration FIIs and FDI investments in India.

The performance of stock market and behavior of foreigner investors are change due to many unforeseen variables in the future. Researcher can use different variables for this research like as macro economic – Inflation rates, Money supply, GDP rate, Industrial production index, Commodities index, and Exchange rates, etc. Researcher also can study the buyers and sellers behavior in respect of investment. Due to changes in Indian financial system, there are drastic changes shown in the stock market. So it will be changes in continues in the Indian financial system. Researcher has to consider all the future changes in stock market. There will have many opportunities as well challenges for the research to more study about this topic.

Recommendations

After the analysis of the projects, following recommendations can be made:
Simplifying procedures and relaxing entry barriers for business activities and providing investor friendly laws and tax system for foreign investors.

- Allowing foreign investment in more areas. In different industries indices the FIIs should be encouraged through different patterns.

- We have to modernize and also have to save our culture. Similarly the laws should be such that it protects domestic investors and also promote trade in country through FIIs.
- Encourage industries to grow to make FIIs an attractive junction to invest.

Conclusion

It is clear that the FIIs are influencing the Sensex movement to a greater extent. Further it is evident that the Sensex has increased when there are positive inflows of FIIs and there were decrease in Sensex when there were negative FII inflows. The Pearson correlation values indicate positive correlation between the foreign institutional investments and the movement of Sensex correlation value is 0.646. Which indicate a positive correlation between the both.

This study is expected to be of immense help to future researchers, stock market practitioners, investors, and other stakeholders to do literature review and find their required information in regard to determinants of FIIs flows. It is also one of a pioneering nature in the field of literature review in the Indian stock market investigating the drivers behind FII flows.

The role of investment in promoting economic growth has conventional considerable concentration in India since independence. But the role of foreign institutional investment in the economic development of India is a recent topic of discussion among economists and development planners. Since the implementation of the new economic policies in early 1990s, India emerged as an important destination of global investors' investment. It is from September 14, 1992, FIIs have been investing on financial instruments in India and providing incentives for financial innovations in the country. Recently, FIIs have become the movers and shakers of the market. Given this growing importance of FIIs for the Indian economy, it is necessary that the energetic of such cross border portfolio investment in the context of economic growth of the country be examined. The empirical research study examines the vital role of FIIs investments on Indian stock market. Here researcher has used FIIs investments and performance of Indian stock market; BSE SENSEX and NIFTY50 variables of the study. Researcher exercises year average of BSE SENSEX and NIFTY Indian stock index and average FIIs purchase, sales, net investments for 10 years for course to carry out objectives; to study the trend of Foreign Institutional investors in India, to discover the relationship between the FIIs equity investment pattern and Indian stock indices, to study the trend of FIIs investments in India stock market and BSE & NSE Indices, to discover the role of foreign institutional investors in Indian stock market.

Researcher employs Descriptive statistical tools like as Mean, Median, and Coefficient of variance, Skewness, kurtosis, Standard Deviation, standard error, range, for fundamental analysis of the research objectives. Coefficient of correlation and coefficient of determination employed in the variables for purpose of measure the effect of independent variables FIIs investments on dependent variables Indian stock indexes BSE SENSEX and NIFTY and study the association with independent and dependent variables. Regression residual model employed for examine cause and effect relationship between FIIs investment and Indian stock indexes BSE SENSEX and NIFTY.

This study is of immense help to future researchers, stock market practitioners, investors, and other stakeholders to do literature review and find their required information in regard to determinants of FIIs flows. It is also one of a pioneering nature in the field of literature review in the Indian stock market investigating the drivers behind FII flows. All in all, the review will enable the future researchers to identify the research gaps and will pave way for more studies.

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