

Foreign Institutional Investors and Indian Capital Market

Dr. Mohammad Noor Alam



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First Edition : 2019

Published by : Mrs. Meena Pandey for **Himalaya Publishing House Pvt. Ltd.**,
"Ramdoot", Dr. Bhalerao Marg, Girgaon, Mumbai - 400 004.
Phone: 022-23860170, 23863863; **Fax:** 022-23877178
E-mail: himpub@vsnl.com; **Website:** www.himpub.com

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DTP by : Rakhi

Printed at : Geetanjali Press Pvt. Ltd., Nagpur (S). On behalf of HPH.

Dedicated

to

My Daughters

Naba Fatima & Numa Fatima



PREFACE

The remarkable economic growth during the past two decades in most of the emerging countries had been stimulated by foreign capital inflows from developed countries. There was a surge in capital inflows into India too since 1992 as in India, the purchase of domestic securities by FIIs was first allowed in September 1992 as part of the liberalisation process that followed the balance of payment crisis in 1990-91. Nowadays, a significant portion of Indian corporate sector's securities are held by Foreign Institutional Investors. Foreign Institutional Investors (FIIs) have been a key part of India's growth story this decade. Foreign Institutional Investors have been a major source of funds into the Indian Capital Markets in the past few years.

The present work "Foreign Institutional Investors and Indian Capital Market" is the Ph.D. research carried out by the author. The author has been working in this project since 2007 to 2011. This work was finally accepted by Aligarh Muslim University.

The research thesis was converted into book version, and with few modifications, it was published by Himalaya Publishing House Pvt. Ltd. The administrative heads, academicians, researchers and consultants can take benefits from this book.

Author

ACKNOWLEDGEMENTS

“In the name of God, most Gracious, most Compassionate”

I express my profound sense of gratitude to my supervisor Dr. M. Nasir Zameer, Professor, Department of Commerce, Aligarh Muslim University, Aligarh, for his valuable guidance and encouragement at every stage, which has enabled me to complete this work. I am extremely grateful to him for spending a lot of precious time out of his busy schedule to discuss various facets of this work. Without his kind supervision, this work would have not taken its present shape.

I would like to convey my heartfelt thanks to my alma mater, Aligarh Muslim University, for offering me an ideal environment in which I felt free and could concentrate on my research.

I also owe a debt of gratitude to the various authors whose works have enlightened me with ideas to enrich my thesis writing.

I express my sincere thanks and gratitude to Dr. Syed Ahsan Jamil, Dean, College of Commerce and Business Administration, Dhofar University, Oman who had always been a motivational factor to carry out this task. I would also like to thank Dr. Mawih Al Ani, Assistant Dean, CCBA and Dr. Zaroug Osman, HOD, Department of Accounting, for his support and encouragement. I would like to express our sincere thanks to all our colleagues at CCBA who were always been supportive in this endeavour.

I wish to express my respectful gratitude to my parents, Md. Gulam Ali and Mrs. Samidun Nisha, whose blessings and unfailing moral support have enabled me to complete this work. Their understanding and love encouraged me to work hard. Their firm and kind-hearted personality has affected me to be steadfast and never bend to difficulty. They always let me know that they are proud of me, which motivates me to work harder and do my best. And I wish to express my heartfelt and deepest gratitude to my wife Zeba, and my brothers and sisters for their everlasting moral support, affection and encouragement in the pursuit of this work.

I owe a word of sincere thanks to all my friends and colleagues, who offered me so much help. I give my sincere thanks to all these people. During these years, the support of my friends has been extremely valuable.

Last but not least, I would also like to express my sincere thanks to all those who have directly or indirectly helped me in this work.

Author

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Chapter

1

Introduction

INTRODUCTION

The liberalisation policies initiated in India in the early 1990s brought about radical changes in the conduct of stock market. Rising globalisation, deregulation, and foreign portfolio investments made the Indian stock exchanges competitive and efficient in their functioning. With the rise of equity culture across the globe, even India which has a long history of stock exchanges, has witnessed a perceptible shift in the proportion of investor's participation in equity markets. The role of investors is the key to success of market guided economic system and since it is they who pump their savings into the markets, their investments need to be channelised to the most rewarding sectors of the economy. One of the most dominant investors groups that has emerged to play a critical role in the overall performance of the capital market are Foreign Institutional Investors (FIIs). Foreign Investment refers to investments made by residents of a country in financial assets and production process of another country. After the opening up of the borders for capital movement these investments have grown in leaps and bounds. But it has varied effects across the countries. It can affect the factor productivity of the recipient country and can also affect the balance of payments. In developing countries there is a great need of foreign capital, not only to increase their productivity of labour but also helps to build the foreign exchange reserves to meet the trade deficits. Foreign investment provides a channel through which these countries can have access to foreign capital. It can come in two forms: foreign direct investment (FDI) and foreign portfolio investment (FPI). Foreign

direct investment involves direct production activities of medium to long-term nature. But the foreign portfolio investment is a short-term investment mostly in the financial markets and it consists of Foreign Institutional Investment (FII).

Research Problem

The present study deals with the “Role of Foreign Institutional Investors on the promotion of Indian Capital Market”. This study examines the relationship between FIIs investment and stock indices. For this purpose India’s two major indices i.e. Sensex and Nifty have been selected. These indices, in a way, represent the picture of India’s capital markets. The study observes the effects of FIIs in the promotion of Indian capital market. There may be many other factors on which a stock index may depend i.e. Government policies, budgets, bullion market, inflation, economic and political condition of the country, FDI, Re./Dollar exchange rate etc., but for this study only one independent variable i.e. FII has been selected. This study uses the statistical tools including correlation, regression, t-test to study the relationship between FII and stock indices. The FII started investing in Indian capital market from September 1992 when the Indian economy was opened up but the investments by FIIs started in 1993. Their investments included equity and debt only. Therefore, the sample data of FIIs investments consists of yearly basis from 1992-93 to 2009-10.

REVIEW OF LITERATURE

A review of literature related to studies in the field of foreign investment especially Foreign Institutional Investors has been made here in order to discern the distinctiveness of the present study. The Researcher has consulted several journals, newspapers magazines, annual report of SEBI and Ministry of Finance, RBI, and dissertations and the work of the different researchers in area of foreign investment.

Andy Lin Chih-Yuan Chen (2006) in his paper entitled, “The Impact of Qualified Foreign Institutional Investors on Taiwan’s Stock Market” has explored the relationship between qualified foreign institutional investors (QFIIs) and Taiwan’s stock market and evaluates the effect of QFIIs’ investment transactions on Taiwan’s stock market. By taking the date of easing regulatory restrictions on foreigners’ stock investment holdings as a cutoff point, the researcher uses the highest

and lowest 10 stocks of QFII holdings in three industry sectors as sample portfolios to study the prior- and post-event returns.

Arshanapalli Bala and Kulkarni Mukund S. (1997) have examined the nature and extent of linkage between the U.S. and the Indian stock markets in their study entitled, "Impact of U.S. stock market on Indian stock markets". The study uses the theory of co-integration to study interdependence between the BSE, NYSE and NASDAQ. The sample data consisted of daily closing prices for the three indices from January 1991 to December 1998 with 2338 observations. The results were in support of the intuitive hypothesis that the Indian stock market was not interrelated to the US stock markets for the entire sample period. It should be noted that stock markets of many countries became increasingly interdependent with the US stock markets during the same time period. India was late in effecting the liberalisation policy and when it implanted these policies it did so in a careful and slow manner. However, as the effect of economic liberalisations started to take place, the BSE became more integrated with the NASDAQ and the NYSE, particularly after 1998. It must be noted that though BSE stock market is integrated with US stock markets, it does not influence the NASDAQ and NYSE markets.

Bandyopadhyay Sankhanath (2005) states on the basis of his paper entitled, "Foreign Institutional Investment: issue and challenges" that Foreign Institutional Investment (FII) helps to maintain surplus in Balance of Payments (BOP) of many emerging economies and it is one of the most important sources of Foreign Exchange Reserves (FOREX). This Forex can be utilised for various developmental purposes, which helps an economy in building her productive capacities as well as generate employment. For a demand constrained economy, this is beneficial. However, if the economy is subject to severe structural imbalances and supply shocks, then it has a potential danger of generating inflationary tendencies and macro-economic imbalances, which in turn may lead to a loss of investor confidence in the host economy resulting a capital flight for which the country may face severe BOP difficulties. The author also states and suggests that Foreign Institutional Investment (FII) is a non-debt creating inflows and it helps to overcome foreign exchange constraint without imposing any burden of external debt. Thus an economy can bridge the gap between domestic savings and investments by resorting to this source of portfolio capital. However, this source is much unstable compared to other capital flows, therefore, author suggests that careful monitoring of these inflows

should be maintained because there are various internal as well as external factors which have potential danger to destabilised economic conditions of both developed as well as developing economies. Lastly author concludes that, for emerging economies the external factors are beyond their control, the only thing they can do is to maintain sound internal macroeconomic and financial policies and try to generate revenues by diversifying their export base and try to generate more Foreign Direct Investment.

Batra Amit (2003) attempted to develop an understanding of the dynamics of the trading behaviour of FIIs and returns in the Indian equity market in his work entitled, “The Dynamics of Foreign Portfolio Inflows and Equity Returns in India”. Daily and monthly data have been analysed to explore the trading behaviour of FIIs and the impact of their trading biases upon stock market stability. The author found that there is strong evidence that FIIs have been positive feedback investors and trend chasers at the aggregate level on a daily basis. However, there is no evidence of positive feedback trading on a monthly basis. There are almost no joint dynamics between long horizon returns and net equity purchases. The result also indicates that foreign investors have a tendency to herd on the Indian equity market even though they all may not do it on the same day. In times of pressure in the stock market on account of a financial crisis in the region there is excessive sell side herding on the average and on either side of the market during a crisis may be lower than that in the immediately preceding period. On investing the impact of trading imbalances across days, the author does not find any significant evidence that would make it possible to attribute equity market instability to FIIs.

Bhattacharya Basabi and Mukherjee Jaydeep (2008), investigated the nature of the casual relationship between stock returns, net foreign institutional investment (FII) and exchange rate in India through a study entitled, “An analysis of stock market efficiency in the light of capital inflows and exchange rate movements; The Indian context”. To test this author employed the methodology of Granger non-causality for the sample period Jan 1993 to March 2005, it is found that, a bi-directional causality between stock price and net foreign institutional investments exists, thus implying that the market informational efficiency hypothesis can be rejected for BSE sensitive index with respect to the FII. Uni-directional causality runs from change in exchange rate to stock returns (at 10% level of significance), not vice versa implying that the exchange rate movement lead the BSE sensitive

index; and no casual relationship exists between exchange rate and net investment by FIIs implying that the inter linkages between stock price and exchange rate is prominent not due to the presence of foreign institutional investors alone, but attributed to other factors as well. It suggests the policy implication that the authorities can focus on domestic economic policies to stabilise the stock market.

Bhattacharyya Ashish K and Rao Sadhalaxmi Vivek (2005) studied the effects of the contemporary changes in the corporate governance structures on the agency costs of the publicly traded companies in his empirical paper, “Agency costs and foreign institutional investors in India”. Primarily he studied the effects of FII shareholding on the agency cost of publicly traded companies. In his paper, author hypothesises that the effective corporate governance mechanisms will reduce the agency costs and find results confirming the hypothesis. FII have an important role to play in reducing the agency costs and the reforms undertaken by the Indian government in terms of liberalisation and increase in the FDIs and FIIs is a welcome step in this regard. The results of this study also provide evidence to the fact that FIIs play an important role in monitoring the managers and reducing the agency costs.

Bohra and Dutt (2011) aims at understanding the behavioural pattern of FII by identifying the Decade trend analysis of FII investment in India, and attempts to present the correlation between FII turnover and turnover of different individual groups of shares in BSE sensex in his paper entitled, “Foreign Institutional Investment in Indian Capital Market: A Study of Last One Decade”. The author found a positive correlation between stock market and investment of FIIs in a relation that sensex follows the investment behaviour of FIIs, but there are some exception seen in year 2005 and 2008. It also shows that positive or negative movement of FIIs leads to a major change/shift in the sentiments of domestic or related investors in market and suggests the policy implication that the authorities can focus on domestic economic policies to stabilise the stock market.

Bose Suchismita and Coondoo Dipankor (2004) in his paper entitled, “The Impact of FII regulations in India-A Time Series Intervention Analysis of Equity flows” examine the impact of FII policy reforms on FII portfolio flows to the Indian stock markets. Given the volatile nature of capital flows to emerging markets seen in the early 1990s, FIIs investment in India, which began in Jan 1993, called for special regulatory attention. This paper tries to assess the impact on FII

flows of several policy revisions related to FII investments during the period Jan 1999 to Jan 2004. In this paper the author has attempted to estimate the quantitative impact of certain regulatory policy decisions relating to FII investment in India using the technique of intervention analysis of time series econometrics and examine whether or not these interventions had any significant effect on the average level of FII flows, their sensitivity to Indian stock market return and their own inertia. The author finds the result that indicate, in Pre-Asian crisis period the introduction of a comprehensive set of regulations relating to FIIs in the form of SEBI FII Regulations of 1995 introduces a structural break in the time series of flows in the form of an upward shift in the average level of FII flows in the post regulation period. The results also help to evaluate the impact of Liberalisation as well as strengthening of policy framework for FII flows in the Post-Asian crisis period and finds that the Liberalisation policies that expanded the membership of FII categories and their scope of investments in the Indian market. On the whole author, finds that these policies mostly render FII investment more sensitive to domestic market returns and raise the inertia of FII flows.

Chakrabarti Rajesh (2006) through a paper entitled “Foreign Institutional Investments” focuses upon the contribution of foreign investment in Indian equity market as well as share in GDP of the country. The Author also tries to show the relationship between FII flows and return in the Indian market with the help of cumulative FII investment and the sensx from Jan 1993 to June 2006 and he finds that FII equity investment and the stock market performance in India have been closely interlinked. The author also mentions about the government policy regarding FII flows in his paper and observed that the FII flows are believed to have a positive impact on the country’s development, so much so that encouraging FII flows government constitute an expert group (2002, which reported in 2004) to suggest ways to accomplish this goal. Lastly the Author concludes that, FII flows should be viewed not in isolation but as a part of an integrated policy package for all capital receipts keeping in mind their role in the overall macroeconomic structure.

Chakrabarti, Rajesh (2001), investigates the nature and factors which affects the FII investments in India in his paper entitled, “FII flows in India: Nature and Causes. This paper provides a preliminary analysis of FII flows to India and their relationship with returns in the Indian stock market. A more detailed study using daily data for a long

enough period or better still, disaggregated data showing the transactions of individual FIIs can help address questions regarding the extent of herding or return chasing behaviour among FIIs, indicators that can help us estimate the probability of sudden Mexico type reversals of these FII flows which now account for a significant part of the capital account balance in our balance of payments. The author suggests that the extent to which FII participate in Indian markets has helped lower cost of capital to Indian industries is also an important issue to address. The author also analysed the weaknesses of the evidence of causality from flows to return contradicts the view that the FIIs determine market returns in general though 'herding' effects particularly with domestic speculators imitating FII moves may well be present in cases of individual stocks. Particularly since the Asian crisis which seems to have brought about a regime shift in the relation between FII flows and stock market returns. The direction of causation seems to be running from the return to the flows. The relative stability in the exchange rate of the Indian rupee in the Post-Asian crisis era seems to have out weighted fluctuations in the country's credit rating among foreign portfolio investors. Lastly, the author suggests that the detailed understanding of the nature and determinants of FII flows to India in a more informed manner, allow us to better evaluate the risk and benefits of foreign portfolio investments in India.

Chittedi Krishna Reddy (2008) analysed the performance of the sensex in the context of FIIs in the Indian stock market in his paper entitled, "Volatility of Indian Stock Market and FIIs" discussed some of the most talked about movements of sensex stating with the secondary market summary of each year. FIIs investments in BSE sensex reveal that the liquidity as well as the volatility was highly influenced by FII flows. FIIs are significant factor determining the liquidity and volatility in the stock market prices. The foreign portfolio flows acknowledged as one of the important sources for strengthening and improving the functioning of the domestic capital markets. The FII investment in Indian securities has shown a fluctuating trend year after year. Along with the soaring sensex in the current situation, the author suggests that investors should keep in mind that the factors could derail this rally like rising interest rates, high inflation fuelled by firm global crude oil prices, slow down in the economy and in corporate earnings, fluctuations in currency market, sluggish pace of economic reforms, political instability, crash in asset price across the board, political tension and possible terrorist attacks. Lastly, author concludes that the FIIs who have been so

bullish in India for the last so many years might start looking at other cheaper emerging markets for better returns. So, it is very tough to predict that whether the sensex will sustain the momentum in future or not. The investors need to be very cautious in their operation.

Chopra Chanchal (2003) in her book entitled “Foreign Investment in India – Liberalisation and WTO – The emerging scenario,” describes concept, meaning and principles of foreign investment especially in the Indian context. The author focused the need and importance of foreign capital inflows in India. The author suggests that in a world of intensifying competition and technological change, the complementary and catalytic role of foreign capital is very valuable for India. This book presents an emerging scenario in India with regard to different types of foreign capital inflows. It examines the trends and patterns of foreign investment in India in the pre and post liberalisation periods vis-à-vis the major policy changes during these periods. It estimates the dependence of Indian corporate sector on the foreign sources and analyses in detail the performance of Indian subsidiaries of foreign companies operating in India. The author outlines the possible implications for policies while identifying the factors which influence the foreign capital inflows in India. The author also suggests a strategy to be followed while analysing the impact of emerging WTO regime on the inflow of foreign investment in India. The author in her book paid a special attention on the silent features of policy followed by the Government of India as updated up to Oct 2002 with regard to foreign investment. It also portrays the pattern in the FDI and portfolio flows by the country sources, industrial sector and major recipient states of India. It analyses the extent and pattern of dependence of Indian corporate sector on the foreign sources. The author also highlights a study of the subsidiaries of foreign companies operating in India. The impact analysis highlights the impact of FIIs investment on stock market development in India and points out the factors affecting portfolio inflows and policy reforms to attract more foreign investments and suggests a strategy to be followed by the Government of India in the post Doha Ministerial Meeting period.

Chopra Chanchal (2003) in her paper entitled “Foreign Institutional Investors and the stock market development” observed that the catalyst for the development of the domestic market is also from the FIIs. This competition necessitates the importance of most sophisticated financial technology, adaptation of technology to local environment and greater investment in information processing and financial services. The

rise in inflow FIIs may result in inflationary pressure due to rapid expansion of money and credit appreciation in real effective exchange rate. FIIs take into account some specific risks in emerging markets such as political instability and economic mismanagement, liquidity risk and currency movement. Thus portfolio flows of FIIs are inherently unstable and may increase volatility of the equity market. They are speculative and may respond adversely to the stability either in real economy or in financial variables. The author also observe that speculative investments are easy for foreigners than for Indian because the taxes on capital gains are at lower level for foreign investors than for resident Indians. The foreign investors also take away without paying any taxes at all simply by routing transactions through countries exempted from paying taxes based on double taxation treaties between two countries (for example, Mauritius and India). Lastly the author suggested that the government needs to improve the functioning of stock markets and the regulatory system, which can curb undesirable speculation and ensure an ordering functioning of the market during the crisis situation. It is very necessary that steps are taken to ensure that our entire financial system does not get affected to a large extent with the investments of FIIs.

David carpenter Partner Mayer, Brown, Rowe and Maw LLP (2005) examined the regulatory framework established by Indian Government for three separate investment avenues: foreign direct investment; investment by foreign institutional investors; and investment by foreign venture capital investors in his paper entitled, "Foreign Investment in India". According to them though these investment alternatives have created ample avenues for foreign investment in India, yet they still remain subject to many conditions and restrictions which continue to hamper foreign investment in India.

Dhamija Nidhi (2007) undertook a study on, "Foreign Institutional Investment in India", and found that the increase in the volume of foreign institutional investment (FII) inflows in recent years has led to concerns regarding the volatility of these flows, threat of capital flight, its impact on the stock markets and influence of changes in regulatory regimes. The determinants and destinations of these flows and how are they influencing economic development in the country have also been debated. 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 scenario.

Ilangovan Prof. D. and Mr. Tamilselvan M (1997) held on the basis of his study, “Extra Mileage in Foreign Investment in Resurging India” that steps are taken to gain extra mileage as regards the level of foreign investment receipts are concerned. Foreign direct investment is proven to have well-known positive effects through technology spillovers and stable investments tied to plant and equipment, but portfolio capital is associated more closely with volatility and its capacity to be triggered by both domestic as well as exogenous factors, making it extremely difficult to manage and control.

Kaur Mandeep and Sharma Renu (2005) in her paper entitled, “Impact of FIIs on the volatility of share prices” observed that the stock market is increasingly becoming more centralised, concentrated and non-competitive. The FIIs have been playing an important role in this aspect. Volatility of share prices is found to have declined after the arrival of FIIs until 1997-98. It started rising again since 1998-99; this is because of decrease in FIIs during this period. Consequently, the ordinary investors have suffered heavy losses and lost interest in stock market so the investment by FIIs should be reduced. This seems possible only by increasing the domestic investor’s base (industrial and corporate) and encouraging mutual funds contacting the profit taking activities of FIIs. The author also concludes that the volatility of Indian stock market has reduced after the arrival of FIIs. The author lastly states that the reduction of volatility cannot be completely attributed to FIIs, it can be noted that the reforms in capital market like screen base trading, dematerialisation of shares and rolling statements have yielded results and market become less volatile.

Kehal H.S. (2004) edited a book entitled, “Foreign Investment in developing countries”, in his book he contributed many research papers regarding foreign investment of different countries. This book examines foreign investment in developing countries from both a theoretical perspective and a country specific perspective. It covers the strategies needed to maximise the benefits available from the inward investment flow and looks at foreign investment as a vehicle for international economic integration and impact of foreign investment on the economic development of the host countries in Asia and the other continents. It covers foreign investment in the third and fourth largest economies of the world China and India in addition to Indonesia, Malaysia and other countries. In this book a chapter namely “Foreign Investment in India:

Riding the wave” authored by Ashima Goyal examines the trends in different categories of foreign investment after entry into India was liberalised in the 1990s and analytical issues pertaining to foreign portfolio investment (FPI) and FDI are taken up and policy resolution suggested. And lastly the author considered future trends and finally some implications of new technology and social innovations are drawn out. The author also gives a conclusion like competitive exchange rate and low interest rate and an appreciating currency in the face of foreign inflows.

Khan Masood Ahmad, Shahid Ashraf and Shahid Ahmed (2005) examined the relationship between foreign institutional investments and stock market return in India during 2002-04 in his paper entitled, “Foreign Institutional Investment Flows and Equity Returns in India” and found the results that FIIs have been attracted to India as an important investment destination. FIIs investment in certain Indian companies shows majority shareholding while as a percentage of the floating stock it is also substantial. The flow of FIIs funds seems to be attracted by the Indian equity return. This apparent unidirectional relationship confirmed by the Granger test is also reconfirmed by the cross-correlation method. The major findings of this study include, (a) American market causes changes in Indian market, (b) Indian market does not cause changes in Indian market, (c) Equity returns cause FII flows, (d) FII flows do not cause equity returns, (e) volatility in equity returns does not cause volatility in FII flows and (f) volatility in FII flows does not cause volatility in equity returns. Lastly, the author concludes that the information in FIIs trade be made more speedily available to the public so that for an efficient market to exist, the asset prices can change immediately to reflect new information.

Kumar SSS (2002) studied and observed that the main reason behind the development of the stock market in India in the last 15 years has been the growing participation of Institutional Investors and the Indian Mutual Funds combined together and the total assets under their management amounts to almost 18% of the entire market capitalisation. The paper entitled “Role of Institutional Investors in Indian Stock market” examines the role of FIIs in Indian Stock Market and finds the market movement with the help of using the direction of the funds flow from these investors. This paper also sets out to find whether our markets have also been dominated by institutional investors with the help of regression test and Granger Causality test. The regression results show that the combine of the FIIs and mutual funds are a potent force,

and in fact they can forecast market using the direction of the flow of funds from FIIs and the Granger Causality test has showed that the mutual funds in fact lead the market risk or fall and FIIs follow suit. Lastly, the author concluded that the market become more efficient with the growing presence of institutional investors.

Kwangsoo Ko, Keunsoo Kim and Sung Hoon Cho (2004) examined the characteristics of institutional and foreign investor stock ownership, and the stock price performance according to their ownership for two major Asian markets, Japan and Korea in their paper entitled, "Performance of Institutional and Foreign Investors in the Japanese and Korean Stock Markets". The differences in abnormal returns are more evident for foreign ownership portfolios than for institutional ownership portfolios, especially in Korea. If we consider either institutional or foreign investors, the differences in abnormal returns remain still significant in Korea, but not in Japan. Both institutional investors' incentive for stock holding and the extent of stock market efficiency would be the possible explanations for the different results between Japan and Korea.

Lakshmi, V.D.M.V. (2005) in her paper entitled, "The Entry of FIIs in India" focuses on the actions and reactions of foreign investors that are influencing the movements of the market. According to author, there are three ways to attract more foreign investment, the most important factor to be considered for attracting and facilitating foreign investments is infrastructure and technology, secondly to make India an attractive destination for foreign investment the quality of information should be improved, which is the main appetite of FIIs and thirdly, the availability of free float stocks of Indian corporate, as FIIs usually do not prefer to the corporate with huge promoter holdings. The free floating of stocks reflects true values of securities, which in turn helps in bringing efficient price discovery. Lastly, author concludes that, as long as India focuses on building sufficient infrastructure facilities, corporate governance practices, improvement of price discovery mechanism, relaxation on investment norms and tries to be investor friendly, the foreign investment flows continue.

Michael Mosebach and Mohammad Najand (2000) examined in their paper entitled "Are the structural changes in MF investing, driving the US stock markets to its current levels" the long run equilibrium relation between the net flow of funds into equity MF and the S&P 500 index. Applying the Engel and Granger correction methodology followed by a state space procedure, it is found that the levels of the

stock market are influenced by the net flow of funds into equity MFs. Their findings indicate that the US equity market appears to be rationally adjusting to a structural change in the behaviour of the US investing public.

Mishra P.K., Das K.B., and Pradhan B.B., (2009) assessed the performance of the Indian capital market by empirically studying the impact of net equity investment by FIIs on stock returns in his paper entitled, "Role of FIIs in Indian Capital Market". The author used monthly data on sensex based stock return and net FII flows over a period of 17 years spanning from Jan 1993 to May 2009, provides the evidence of positive correlation between FII net flows into India and stock market return and author also found that the movements in the Indian capital market are fairly explained by the FII net inflows.

Mohan T.T. Ram (2005) in his paper entitled, "Taking Stock of Foreign Institutional Investors" observed that FII investment is viewed as compensating in some way for the relatively low level of foreign direct investment (FDI) and as a welcome sign of international interest in the Indian economy. This paper also examines about FIIs in terms of stock market, macroeconomic volatility and variations in FIIs inflow from year to year. The author suggested in this paper that FII behaviour in emerging markets does not point to FIIs existing markets easily. By and large, FII inflows into emerging markets, including India has been positive, except in Malaysia and Indonesia at the time of the Asian crisis. The size of inflow could vary and that itself could lead to market volatility. But such variations are unlikely to be destabilising in nature. The author also suggested that in India, volatility in portfolio inflows has been modest compared to other emerging markets. As domestic funds grow in size and pension funds enter the equity market, this would provide a measure of self-insurance against volatility occasioned by FII flows. Lastly author points out that the real problem caused by variations in FII inflow from year to year is not stock market volatility but difficulties involved in management of money supply and exchange rate.

Mukherjee Paramita, Bose Suchismita and Coondoo Dipankor (2002) in his work entitled, "Foreign Institutional Investment in the Indian Equity Market – An analysis of Daily flows during Jan 1999-May 2002" explores the relationships of foreign institutional investment (FII) flows to the Indian equity market with its possible covariates based on a daily data-set for the period Jan 1999 to May 2002. The set of possible covariate considered comprises two types of variables. The first

type includes variables reflecting daily market return and its volatility in domestic and international equity markets as well as measures of co-movement of return in these markets (viz. relevant betas). The second type of variables, on the other hand, are essentially macroeconomic ones like exchange rate, short term interest rate and index of industrial production – viz. variables that are likely to affect foreign investors' expectation about return in India equity market and found the results that shows (a) FII flows to and from the Indian market tend to be caused by return in the domestic equity market and not the other way around (b) return in the Indian equity market is included an important factor that influence FII flows in to the country (c) while FII sale and FII net inflow are significantly affected by the performance of the Indian equity market. FII purchase is not responsible to this market performance (d) FII investors do not seem to use Indian equity market for the purpose of diversification of their investments (e) return from exchange rate variation and fundamentals of the Indian economy may have influence on FII decisions, but such influence does not seem to be strong and finally (f) daily FII flows are highly auto-correlated and this auto-correlation could not be accounted for by the all or some of the covariates considered in this study.

P. Krishna Prasanna (2008) has examined the contribution of foreign institutional investment particularly among companies included in sensitivity index (Sensex) of Bombay Stock Exchange in his paper entitled "Foreign Institutional Investors: Investment Preferences in India". He examined the relationship between foreign institutional investment and firm specific characteristics in terms of ownership structure, financial performance and stock performance. It is observed that foreign investors invested more in companies with a higher volume of shares owned by the general public. The promoters' holdings and the foreign investments are inversely related. Foreign investors choose the companies where family shareholding of promoters is not substantial. Among the financial performance variables the share returns and earnings per share are significant factors influencing their investment decision.

Pal Parthapratim (1998) analysed in his paper entitled, "Foreign Portfolio Investment in Indian Equity Market – Has the Economy Benefited" analysed the mainstream argument that the entry foreign portfolio investors will boost a country's stock market and economy does not seem be working in India. The influx of FIIs failed to invigorate the Indian stock market. The supposed lineage effects have

not worked in the way the mainstream model predicted. Instead there has been an increased uncertainty and skepticism about the stock market in India. The findings of the study do not support the view that influx of FPI leads to economic development. According to author, one of the main reasons behind deleterious role of stock markets emerges due to the dilemma posed by modern capital markets. Modern capital markets try to reconcile the social need for investment with the preference of individual investors for risk, return and liquidity. In this process, secondary market opens up prospects for speculation. Speculation leads to a situation where the players indulge in out guessing the market in foreseeing changes in short term financial ratio. This turns the secondary market in some kind of casino where people speculate on other people's speculation. This seriously hinders long-term investment and thereby affects economic growth. Lastly, author concludes that instead of lifting the level of domestic savings and investment, financial liberalisation in general has rather increased financial instability. Financial activities have increased financial deepening but without benefiting industry and commerce.

Pal Parthapratim (2005) through his paper entitled, "Recent volatility in stock markets in India and Foreign Institutional Investors" took a detailed look at the stock market and the behaviour of different investor groups, especially the FIIs in India for the period March 2004 to June 2004. The objective of the paper is also to investigate how the withdrawal of foreign portfolio capital in the post election phase has affected the price and equity holding pattern of different sensex companies. This helps us understand the dynamics of the stock market crash in the post election period, and results of this study show that not only the FIIs are the major players in the domestic stock market in India, but their influence on the domestic market is also growing. Data on trading activity of FIIs and domestic market turnover suggest that FIIs are becoming more important at the margin as an increasingly higher share of stock market turnover is accounted for by FII trading. Moreover, the findings of this study also indicate that Foreign Institutional Investors have emerged as the most dominant investor group in the domestic stock market in India. Particularly, in the companies that constitute the Bombay stock market sensitivity index (senscx), their level of control is very high Data on shareholding pattern show that the FIIs are currently the most dominant non-promoter shareholder in most of the senscx companies and they also control more tradable shares of senscx companies than any other investor groups.

Pasricha J.S. and Singh Umesh C. (2001) analyse the impact of FII's investment on Indian capital market through his work entitled "Foreign Institutional Investors and Stock market volatility". He studied the relationships of investment behaviour of FII with the two major stock market indices, that is BSE SENSEX and NSE S&P NIFTY on month to month basis over the period Apr 1998 to Mar 2000 and found the high positive value of co-efficient correlation between cumulative investment and BSE SENSEX and cumulative investment and NSE NIFTY. These explain the existence of highly positive correlation of FIIs and stock market index movement. However, it will also be pertinent to note that the entire volatility in stock market is not due to investment behaviour of FIIs. According to author, there are few other factors which also add the volatility in stock market. However, the effect of all of these together is quite lesser than that of FIIs investment pattern. Hence, FIIs seem to have emerged as the market movers. The author also observed that the FIIs have become the integral part of the Indian capital market and it has been observed that companies that have been generally preferred by FIIs are those that are professionally managed on focus on creating wealth for shareholders. FIIs have also played a catalytic role in nurturing nascent venture capital culture in India and also contributed their bit to the development of Indian capital market. Lastly, the author concludes that FIIs emerged as market mover and also contribute towards making Indian markets modern comparable with the international standards. This has brought transparency in the market operations and simplified procedures.

Rai Kulwant and Bhanumurthy N.R. (2004) in his paper entitled "Determinants of Foreign Institutional Investment in India – The role of return, risk and inflation" discussed the determinants of FIIs in India and huge volume of these flows and their impact on the other domestic financial markets and understanding the behaviour of flows, especially at the time of liberalising the capital account, with the help of monthly data from Jan 1994 to Nov 2002. He also examined whether return and risk in the stock market and other real factors have any impact on the FII inflow into the country. He has further studied the impact of news on the FII inflow and found that FII reacts with greater sensitivity to bad news than to good news. The author concludes that India is seriously contemplating liberalisation of the capital account in the near future, so there is need first and foremost to stabilise movements in the domestic stock markets. This market has undergone peaks and troughs since the economic reforms mainly because of non-fundamental factors such as

speculation, sentiments, manipulation of institutions and so on. Without stabilisation, there might well be an adverse impact of these non-fundamentals factors on FII behaviour through its returns in the stock market, a development that could affect the real economy in the long run. And lastly Author suggested, for the above, it would be necessary for regulatory authority to contain incidences of secondary market manipulation, which have been rampant during the last decade.

Raju M.T, Ghosh Anirban (2004) that volatility estimation is important for several reasons and for different people in the market. Pricing of securities is supposed to be dependent on volatility of each asset in paper entitled, “Stock Market Volatility – An International Comparison”. In this paper he not only extended the study period of the earlier paper but also expanded coverage in terms of number of countries and statistical techniques. Mature markets / Developed markets continue to provide over long period of time high return with low volatility. Amongst emerging markets except India and China, all other countries exhibited low returns (sometimes negative returns with high volatility). India with long history and China with short history, both provide as high a return as the US and the UK market could provide but the volatility in both countries is higher. The third and fourth order moments exhibit large asymmetry in some of the developed markets. Comparatively, Indian markets show less of skewness and Kurtosis. Indian markets have started becoming informationally more efficient. Contrary to the popular perception in the recent past, volatility has not gone up. Intraday volatility is also very much under control and has come down compared to past years.

Rakshit Mihir (2006), in his paper entitled, “On liberalising Foreign Institutional Investments” critiques the approach and recommendations of the 2004 government of Indian expert group on foreign institutional investment flows. The most crucial of these relate to effects of FII flows on aggregate and sectoral investment, behaviour of financial including foreign currency markets with special reference to their volatility and efficacy of fiscal and monetary instruments in attaining the objective of macro-stabilisation and growth. This paper examines the macroeconomic impact of FII flows in the light of Indian experience and draws some policy conclusions regarding the role of such flows. It also addresses the issue of volatility in the Indian context. The author also observe that even when there is enough demand for investments, reliance on the other type of foreign capital e.g. FDI, ADRs/GDRs or long term borrowing may be superior to FIIs for

bridging the investment saving gap. The reason is that when some capital inflow is linked directly to investment demand (which FIIs is not), a greater part of capital inflow is translated into investments and chances of a fall in aggregate demand are less. FIIs can contribute toward capital formation and growth when direct foreign funding of some highly productive investment is difficult to secure. For overcoming these problems author suggests three ways that is (a) macroeconomic perspective (b) a careful analysis of the current and prospective economic scenario and (c) an assessment of pros and cons of alternative types of foreign capital inflows.

Rao Chalapati K.S., Murthy M.R., and Ranganathan K.V.K. (1999) assessed the importance of foreign portfolio investments in India relating to other major forms and to studied the relationship between foreign portfolio investments and trends in the Indian stock market in his paper entitled, "Foreign Institutional Investment and the Indian stock market". The authors found that the foreign private capital flows in the form of portfolio investments in developing countries have been quite indispensable to develop their stock markets. It is suggested that investment would help the stock markets directly through widening investor base and indirectly by compelling local authorities to improve the trading system. While the volatility associated with portfolio capital flows is well known, there is also a concern that foreign institutional investors might introduce distortions in the host country markets due to the pressure on them to secure capital gains. Towards the end of 1992, the Government of India allowed FIIs to buy and sell securities directly on the country's stock markets, primarily to attract foreign capital, concessional rates of tax on capital gains and to some extent the limits on the extent of foreign equity were expected to reduce the volatility and possibility to protect managements from hostile takeovers, but the authors find that the attracting foreign capital, the initial expectations have not been reached. Investment by FIIs directly in the Indian stock market did not bring significantly large amount compared to the GDR issues. Unlike FII investments, have the additional advantage of being project specific and thus can contribute directly to the productive investments. FII investments seem to have influenced the Indian stock market to a considerable extent.

Richard A. Ajayi and Mbodja Mougou (2001) have studied recent advances in the time-series analysis through a paper entitled, "On the dynamic relation between stock prices and exchange rates", to examine the inter-temporal relation between stock indices and exchange

rates for a sample of eight advanced economies. An error correction model (ECM) of two variables employed to simultaneously estimate short-run and long-run dynamics of variables. The ECM result revealed significant short-run and long-run relationship between two financial markets. Specifically, the results show that increase in aggregate stock prices has negative short-run effect on domestic currency value. In the long-run, however, stock prices have positive effect on domestic currency value. On the other hand currency depreciation has negative short-run and long-run effects on stock market.

Richard W. Sias (1996) found in his study on, “Price pressure and the role of substitutional investors in closed-end funds” that a trader-intensified transactions database is employed to investigate: (1) the relation between order-flow imbalance closed-end funds share prices and discounts (2) the role of institutional investors in closed-end funds. Empirical results are consistent with the hypothesis that buyers (sellers) of closed-end funds face upward (downward) sloping supply (demand) curves. The results also demonstrate that ownership statistics fail to accurately reflect institutional investors’ importance in closed-end funds market. The results failed to provide the evidence that institutional investors offset the position of individual investors or that institutional investors face systematic “noise trader risk”.

Saini Rohit (2005) in his paper, “Foreign Institutional Investment in India – A study of issue, facts and determinants” examines the various theoretical issues relating to FI investment, its growth in India and factors that affect its inflow, various theoretical issues relating to pros and cons of foreign institutional investment, traces the growth of FI investment in India and a preliminary enquiry into the possible determinants of FI investment. The author addresses that the major arguments in favour of FI investment are its possible positive effect on overall level of investment in the economy and its contribution towards improvement in the functioning of domestic capital market. But there is negative impact as well because volatile nature of FI investment may over balance its benefits. The author concludes that net effect of FI investment on a country will mainly depend upon the policy response of authority to its possible negative implications. The author also found that growth of FI investment has been quite consistent and impressive and particularly in initial years of reforms it has grown distinctively faster than direct investment. The author made attempt to explore the possible determinants of FI investment. Rate of return on stock as captured from the stock price index and domestic exchange rate have

been found to affect FI investment positively while inflation in domestic country has a negative impact on it. The author also used Granger's Casualty test and it appears that FI investment is a result of return on stock rather than causing it. The test between inflation and FI investment reveals that a higher inflation in domestic country causes retardation of inflow of FI Investment. However, casualty between rate of exchange and FI investment could not be confirmed.

Samal Kishore C (1997) in his paper entitled, "Emerging equity market in India – Role of Foreign Institutional Investors" observes that in developing countries like India, there has been increased liberalisation of domestic financial and capital markets and an opening up of the market to foreign institutional investors. The main emerging feature of India's equity market is its gradual integration with the global market and its consequences problem due to the hot money movement by foreign institutional investors (FIIs). Therefore, policy measures to develop equity market should aim to encourage small domestic investors to participate in it and counter the tendency of FIIs to destabilise the emerging equity market. The author also suggests that any policy measure to develop equity market should encourage small domestic investors, who have deserted the market to participate (by directing their savings) in the equity market particularly in the primary market which is also dependent on the secondary market, instead of attracting the portfolio investments of FIIs who have potential to destabilise the emerging equity market and to drain the surplus from it by manipulating the equity market with their vast resources.

Samy Dr. P. Chella and Murugan Bala (2006) in their study entitled, "A Study on Capital Stock Market Movement in India – Present Scenario" held that Investors can pick up stocks at these levels for a growth story for long term i.e. for equities a 5 years holding period is reasonable to give a very above average return. Caution may be exercised to buy only good, well established market movers and never, to buy on margins or play intraday or dabble in derivatives market, which is high risk.

Sandhya Ananthanarayanan (2004) is of the opinion that as part of its initiative to liberalise its financial markets, India opened her doors to foreign institutional investors in September, 1992. This event represents a landmark event since it resulted in effectively globalising its financial services industry in her paper "Foreign Institutional Investors and Security Returns: Evidence from Indian Stock Exchanges". While it is the study of impact of trading of Foreign Institutional

Investors on the major stock indices of India. The major findings are as follows. It is found that unexpected flows have a greater impact than expected flows on stock indices. There is strong evidence consistent with the base broadening hypothesis. No evidence regarding momentum or contrarian strategies being employed by foreign institutional investors could be detected. Findings also support the price pressure hypothesis. Finally, the author did not find any substantiation to the claim that foreigners' destabilise the market.

Sikdar Soumyen (2006) held on the basis of his work entitled, "Foreign Capital Inflow into India: Determinants and Management", that the surge in inflows has not been matched by a corresponding growth in the absorptive capacity of the Indian economy. The major reason is the persistent slowdown of industrial activity since 1997. At the same time, the Reserve Bank of India (RBI) has been reluctant to let the rupee find its market-clearing level under the circumstances. This has resulted in steady accretion to our foreign exchange reserves (FOREX) over the last few years. Problems of Foreign Capital are widening of current account deficit, monetisation, appreciation of real exchange, etc.

Singh Bhupinder (2005) examined in his paper entitled, "Inter-Relation between FII, Inflation and Exchange Rate" the effects of significant macroeconomic variables, inflation and exchange rate on the inflows of Foreign Institutional Investment in India. The author also tried to develop a theoretical framework to analyse the inter-relation between Foreign Institutional Investment, inflation and exchange rate. Lastly, the author suggested that the strength of the financial system of the country is gauged by the quality of foreign capital inflows. The financial system should be strong to ward off any adverse impact arising from the volatility of capital flows. It must be equipped with adequate support measures like forex reserves, comfortable balance of payments position to negate the impact of volatile capital flows. It is only then that the adverse impact of contemporary global development like oil prices hike can be minimised.

Singh Shrawan Kumar (2004) analyses the policy towards Foreign Institutional Investment and briefly highlights the nature of FIIs flows, explores some determinants of FII flows in his paper entitled "Foreign portfolio investments in India". He further examine the overall experience relating to stabilising or destabilising for the Indian capital market and finds that the, any form of foreign investments has become a competitive investment instruments, and India was an attractive

destination for FIIs. The FIIs flows depend on a couple of issues: primarily on global trends and local fundamentals – the attractiveness of Indian fundamentals will largely depend on the policy measures of the government. As long as the government continues to offer higher growth oriented policies for the long term there would be continuation of inflows. The author finds the other factor that will play an important role in attracting FIIs inflow is the continuation of domestic demand. A proactive policy that would help achieving this would continue to make the economy attractive. The policy-makers ought to appreciate the progressive role of foreign investment in the country. Foreign Institutional Investors (FIIs) are adopting a wait and watch approach for the Indian market. The growth story in India is a domestic one, and not dependent so much on external economies. The currency stability will be the biggest positive factor for FDIs and investment by FIIs. Lastly, the author suggests that the highly volatile nature of capital flows, especially portfolio flows and short-term debt, there is need for efficient management of these flows. While managing capital flows, clear distinction should be made between debt and non-debt creating flows, private and official flows and short term and long-term capital flows.

Sivakumar S (2003) explored some determinants of FII flows and examines if the overall experience has been stabilising or destabilising for the Indian capital market in his article entitled, "FIIs: Bane or boon?" he analysed the net flows of foreign institutional investment over the years.

Stanley Morgan (2002) found in his paper entitled, "FIIs influence on Stock Market", that FIIs have played a very important role in building up India's forex reserves, which have enabled a host of economic reforms. Secondly, FIIs are now important investors in the country's economic growth despite sluggish domestic sentiment. The Morgan Stanley report notes that FII strongly influence short-term market movements during bear markets. However, the correlation between returns and flows reduces during bull markets as other market participants raise their involvement reducing the influence of FIIs. Research by Morgan Stanley shows that the correlation between foreign inflows and market returns is high during bear and weakens with strengthening equity prices due to increased participation by other players.

Trivedi, Pushpa and Nair, Abhilash (2003) in his paper entitled, "Determinants of FII investment inflow in India" investigated the factor that determine the flow of FIIs funds to India, the nature and direction of

causality between returns on Indian share markets and FII investment inflows, whether FIIs cause the volatility in the Indian share markets or the volatility in the Indian share market causes the FII investment inflow and existence or lack thereof of the informational disadvantages of FIIs and finds that the relationship between the FII investment and the economic development still remains highly debatable. The spur in IPOs due to increased interest amongst investors, which is expected to reduce cost of capital, is yet to be witnessed in India. Hence, it can be said that although FIIs have been net investors in the Indian capital markets (in all the year except 1998), they have not increased the risk-sharing ability of the market. The author also found that both returns on S&P 500 and on MSCI world index do not significantly explain FII inflow to India, which seems to be a pointer to the absence of informational disadvantage to FIIs. Lastly, author concludes that, variance of the Indian markets does not emerge as a decisive factor in explaining FIIs inflows to the Indian share markets. This phenomenon may be attributed to a change in the attitude of FIIs as a result of Asian crisis. They do not seem to look at Indian markets as an avenue to diversify their portfolio risk. Such behaviour on the part of FIIs is also suggested by the lack of significance of the beta of Indian share markets in driving the FII investment inflows to the Indian markets.

Vinay Kumar MPM (2006) observed on the basis of his article entitled, "FIIs – The Trigger Behind 10k" says that the FII investment increases the stock prices and reduces the cost of capital. It has helped the BSE sensex to reach 10000 mark and the fourth position in the stock markets of the world and also considers the FII factor and its impact on the Indian capital market, in reaching the 10k mark. The study also focuses on the recent trends with respect to FII movements and the factor that is encouraging them is of little significance and the problem of managing the rush of such inflows. The issue is on focusing that no corrective policies were adopted and that the liberalisation process is continued with. The reason to back up FIIs rather than increased regulation is that there are cases mentioning the virtues of FII wherein each needs assessment. Lastly, author concludes that the FII investments were encouraged on basis that FII participation in local capital markets often leads to good corporate governance practices, better shareholder value and improved efficiency. One needs only refer to the countless situations of fraudulent accounting practices, regular report from their home country markets, conflict of interest and manipulations involving FII principles sum up the situations.

Research Gap

On the basis of extensive literature review, it has been observed that few works have already been done to find out the impact of FIIs on the performance of Indian stock indices. But no work has so far been done to assess the direct impact of FIIs in the growth and development of the Indian capital market. Further, on the basis of literature review, it was also identified that no work has been carried out to find out the variability of FIIs investments in the debt and equity segment. The present work is an endeavour by the researcher to bridge this gap. This work would also lead to better understanding of the Indian capital market and the role of FIIs in its development. The present work also explores measures as to how FIIs investment can be motivated, so that the gap between investment and savings can be bridged and growth of Indian economy can be accelerated.

Scope/Objectives of the Study

The following are the objectives of the study to assess the role of FIIs in the promotion of Indian capital market:

1. To study the structure and functioning of FIIs since 1993 in the Indian capital market.
2. To study the role of Foreign Institutional Investors in the growth and development of Indian capital market since 1993.
3. To identify the shortcoming in the existing legal framework for FIIs investment in the Indian capital market to ward off volatility.
4. To examine the relationship between the FIIs equity investment pattern and Indian stock indices (BSE Sensex and NSE Nifty).
5. To suggest measures to streamline the existing structural framework and to identify the future prospects of FIIs in Indian capital market along with suggesting the ways and means to explore the new arising opportunities.

Hypothesis of the study

To study the above mentioned objectives, the following hypotheses are formulated:

- Ho 1.** Null hypothesis: There is no significant impact of FIIs in the promotion of Indian capital market.
- Ho 2.** Null hypothesis: There is no significant impact of FIIs investment on BSE Sensex.
- Ho 3.** Null hypothesis: There is no significant impact of FIIs investment on NSE Nifty.
- Ho 4.** Null Hypothesis: There is no significant difference in respect to FIIs investment in debt and equity in Indian capital market.

Rejection of any of the above hypotheses will automatically make to accept the alternative hypotheses (H1) in each case.

Methodology

With a view to achieve the objectives of the present study, the secondary sources of information have been utilised. The history, genesis, components, growth, performances etc. of the Foreign Institutional Investments and Indian capital market have been examined on the basis of secondary data like periodicals, magazines, text books, journals, reports, office records of various organisations like SEBI, RBI and ministry of finance, and different websites containing information and data of FIIs and Indian Capital market. Thus, research work is heavily banked on the secondary source of information.

Significance/Need of the study

Scope of the study is very broader and covers the major stock indices (BSE Sensex and S&P CNX Nifty) and its comparison with foreign institutional investments. The study covers up foreign institutional investments in form of equity and debt. The time period ranges from September 1992 to March 2010 and produces a picture of exact impact of both the bullish and bearish trends. The study critically evaluates the role of foreign institutional investors in the Indian capital market. It also describes the market trends due to FIIs inflow and outflow. The study would also be helpful for further descriptive studies on the ideas that will be explored. Therefore, the present study is quite

beneficial to gain knowledge regarding foreign institutional investments, and their role and impact on the promotion of Indian capital market.

Statistical Tools

The present research is to examine the role of the FIIs in the Indian capital market. For testing the hypothesis, the statistical tools including Karl Pearson's Coefficient of Correlation, Multiple Linear Regression Model and t-test have been used. The impact of FIIs on the BSE Sensex and NSE Nifty is evaluated by using linear regression model, whereas the impact of FIIs in the promotion of Indian capital market has been examined by using the Karl Pearson's Coefficient of Correlation. To measure the difference in respect to FIIs investment in equity and debt in Indian capital market, independent sample t-test is used by comparing the mean return of debt and equity investment in the Indian capital market.

Schemes of chapters

After taking objectives and hypotheses into consideration, the researcher has divided this study into following five systematic and logical chapters:

1. Research Design and Methodology including statement of problem, objective of the study, hypothesis of the study, review of literature and the methodology adopted.
2. Foreign Institutional Investors in India: An overview.
3. Indian capital market and regulatory framework for FIIs.
4. FIIs operation in Indian Capital Market and testing of hypotheses.
5. Finding, Conclusion, Recommendation and Suggestions.

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