Arabian Journal of Business and Management Review (Kuwait Chapter), 9(4)2020,175-182

An Open Access Journal
• ISSN: 2617-3018

Arabian Journal of Business and Management Review (Kuwait Chapter)

Research Article
Homepage: www.arabianjbmr.com
AGJ

VOLATILITY OF NATIONAL STOCK EXCHANGE AFFECTED BY FOREIGN INSTITUTIONAL INVESTORS: AN EMPIRICAL ANALYSIS

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ABSTRACT

Foreign institutional investors (FIIs) have become the instruments of international economic integration, stimulation and major catalysts of development. Promoting foreign investment to supplement the domestic capital, human skills and technology for accelerating the domestic economic growth has been the target objective of the Government of India since the inception of liberalization, privatization and globalization (LPG) in 1991. Being a short-term and profit driven investment, FIIs are more volatile in nature and thus bring instability to the country's stock markets. In this context this paper attempts to examine the impact of FIIs on Indian stock market proxied by National Stock Exchange (NSE). The researcher employed the econometric techniques of correlation and regression for 18 financial years spanning from 2000 to 2017. It was found that FIIs have always shown a positive trend towards India except few years. The analysis of the current study provides the evidence of moderate positive correlation between net FIIs investments & NSE Nifty. The Regression analysis depicts that FIIs inflows and outflows have significant impact on the NSE Nifty index of Indian stock market.

ARTICLE INFO

Keywords:
FIIs, Indian capital Market, NSE, Volatility, Stationarity, Descriptive Analysis, Correlation, Regression Analysis.

Article History:
Received: 11 Sep 2020
Revised: 30 Oct 2020
Accepted: 25 Nov 2020
Available Online: 22 Dec 2020

1. INTRODUCTION

Foreign investment has become a striking measure of economic development in both developed as well as developing economies. The developing countries are witnessing changes in the composition of foreign investments because of the expansion and integration of the world equity markets (Levine & Zervos, 1998). Foreign investment refers to an investment made by the residents of one country in the financial assets or production processes of another country. In India Foreign Institutional Investors (FIIs) means institutions established or incorporated outside India which proposes to invest in securities in India. They are registered as FIIs in accordance with the section 2(f) of the SEBI (FII) Regulations 1995. The entities established or incorporated abroad, eligible to be registered as FIIs in India, include pension funds, mutual funds, university funds, endowment funds, banks, asset management companies, nominee companies, trustees, investment trusts, charitable trusts, charitable societies, institutional portfolio managers etc. Moreover, a domestic asset management company or a Domestic Portfolio Manager is also eligible to be registered as an FII to manage the funds of sub-accounts. The FIIs are also eligible to invest on behalf of sub-accounts.

The Indian capital market is expressive in terms of development, volume of trading and tremendous growth potential. The policies drafted by government to stimulate the flow of foreign capital provided much needed impetus for India to emerge as an attractive investment destination for foreign investors. The financial sector reforms in general and capital market reforms in particular were initiated by India in a big way during 1991-92. The objectives behind these reforms were to improve market efficiency and transparency, checking unfair trade practices, bringing Indian capital market upto the international standards and opening in the market for attracting foreign investors under the Portfolio Investment Scheme (PIS) for the subscription of securities in the both primary as well as secondary markets. They were also allowed to participate in both public issues of equities and debt instruments within the sectoral limits for equities and the overall limit for debt instruments set by Govt. of India. Following these reforms, the Indian capital market experienced a gradual surge of FIIs investments over the next two decades in the Indian equity and corporate bond market. Over 9,000 companies are listed on the Indian stock exchanges, which are serviced by approximately 7500 stockbrokers. With over 20 million shareholders, India has the third largest investor base in the world after the USA and Japan.

FIIs influence the stock market by creating positive sentiments in the domestic market participants thus playing a vital role in the development of different sectors of the economy. They have emerged as noteworthy players in the Indian stock market and their growing contribution has added an important feature of development to the stock markets in India. They have changed the face of Indian stock market by bringing both qualitative as well as quantitative changes and thus increased the breadth and depth of the market. But it is pertinent to mention here that FIIs being a short-term and profit driven investment, having flexibility in buying and selling have been blamed for large withdrawals of capital from the country at the time of financial crisis thus bringing instability to the country‘s stock markets.

1.1 Statement of the problem

It is widely assumed that FIIs along with some other external factors like global economic crisis, exchange rate, demand and supply, market capitalization and Earning per share (EPS) generally drive and dictate the Indian stock market. But FIIs having indirect control over the Indian capital market create a swaying effect on the market. Moreover, FIIs investments through Participatory Notes (PNs) also creates dilemma in the minds of other investors of market as PNs are usually not identifiable with FIIs. The short holding period horizon of FIIs exerts a significant impact on domestic financial markets in the short run and real impact in the long run. Moreover, owing to the lack of entry and exit policy, the FIIs being profit driven and risk aversive investors, unbridled the entry and exit strategies, creating a lot of mayhem of volatility in the market, resulting in the loss of small domestic investors to lose funds in the short run. Keeping in view the uncertain nature of FIIs investment, the present study aimed to examine the overall trend of FIIs investment in Indian capital Market from 2000-2017 and analyze its relationship with Indian stock market volatility represented by NSE Nifty index. NSE Nifty has been considered as the representative of stock market as it is one the most popular index of Indian stock market used by market participants for benchmarking.

2. REVIEW OF LITERATURE

In order to gauge the results of the other studies conducted worldwide in this area and which have led to some hypothesis formulation for this study, a review of literature related to the study of Foreign Institutional Investors and Indian stock market is made here. For this purpose the scholar has surveyed several books, research papers, journals, newspapers, magazines, annual reports and handbooks of SEBI, NSE, BSE, RBI and Literature of Ministry of Finance. During the review it was observed that foreign capital inflows have been acknowledged as one of the important sources of funds for developing economies like India for supporting the domestic economy. Inspite of political uncertainties and lack of infrastructural facilities, India is considered as one of the best investment destinations by FIIs because of its emerging nature and thus, the promising growth potential of financial investments. The higher and safer returns in the Indian stock market (perhaps the single most factor) influence the decisions of FIIs towards the India. A large number of studies have been made about the FIIs and their impact on Indian capital market; some of them are scripted below.

Kumar and Malik (2019) in their study tried to examine the impact of FIIs on market capitalization of Indian stock market for 24 years ranging from April 1993 to March 2018. They have used the correlation technique to determine the exact state of the linear relationship between the two variables. Further they have also employed the linear regression analysis to find out the impact of FIIs on market capitalization at National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). Their findings suggest that there is a significant impact of foreign institutional investments on capitalization at BSE and NSE. Chahuan (2018) examined the behavioral pattern of FIIs from 2010 to 2014 to find their impact on Indian capital market. He tried to identify the determinants that influence the investment decisions of FIIs towards Indian capital market. He also examined the relationship between FII investment and Indian stock market represented by NSE Nifty. His findings suggest that there is a high degree of correlation between FII flow and NSE Index in long run but less impact in short run. FII is definitely as one the factors but not the only factors that affect the Indian stock market because there are other also factors that affect it. The potential ill effects of FII can be severe which can be seen from US sub-prime lending crisis. Kafila and Srinivas (2018) in their study "Impact of Foreign Institutional Investment's on Sensex Movements" made an attempt to study the movements of Sensex and the trends in flow of FIIs from year 2010-2015 and to examine whether FII's have any influence on BSE Sensex. The study carried out is analytical and empirical in nature in which the researchers explore the relationship between the inflow of FII and their impact on Sensex. They have analysed the data by Descriptive statistics, Correlation and Regression models. Their statistical analysis showed a very meager or no impact of FII's on Sensex. The descriptive analysis shows that the mean of FII equities is more in comparison to FII debt indicating that the foreign institutional investors are interested more in equities rather than debt.

Similarly their standard-deviation results showed that neither the equities nor the debt are outperforming each other i.e. both showing the similar impact on Sensex. Their concluding remarks were that the foreign institutional investment doesn't show a major impact on Sensex during the period 2013-2015. Jeyanthi (2016) in his study also revealed that FIIs contribution to the Indian stock market has great influence on the market but their investment is fluctuating from time to time from 2000 - 2015. FIIs withdrawal has plummeted down the share prices. Apart from FIIs investment, there are other major factors that influence the bourses in the stock market, but FII is definitely one of the factors. There has been a correlation between FIIs investment in equity and NSE capital market segment but the relationship is significant at 1% level. His results prove that FIIs did have a moderate significant impact on the Indian capital market and FIIs have a positive impact on NSE. Arora and

Kumar (2015) in their paper “Impact of FIIs on Indian Capital Market” attempted to examine the relationship between FIIs and Indian capital market from January 2012 to November 2014. They have taken the monthly data for the study on Net FII investments and return on Indian stock market represented by NSE. They analysed the effect of FIIs by ADF and GARCH methods and observed that FIIs does not create volatility on Indian stock market. They suggested that Net FII investment and their return are related to some extent indicating that there are number of other factors affecting their return like type of market, risk etc. Shah (2014) examined the trend pattern of FII flows towards Indian capital market in order to investigate the relationship between Nifty and FIIs. The author has taken average daily closing value index for 13 years from 2001-2013.

The author concluded that Net FII flows have shown an increasing pattern from 2001-2013 and CNX Nifty has also increased during the given period. He also found moderate positive correlation between FII and CNX Nifty and the correlation value is 0.510. As the correlation value is not strong so there can be other factors also that impacts the Indian stock market. Joo and Mir (2014) have attempted to examine the impact of FII investment on Indian stock market volatility by using the monthly time series data of Nifty, Sensex and FIIs activity for a period of 15 years ranging from January 1999 to December 2013. They have observed that there is a moderate positive correlation between Net FIIs and Nifty and Sensex. Vimaldevi (2014) studied the impact of FIIs in Indian Sock Market and observed that FIIs are of vital component which helps in the development of financial markets and overall financial development of the country. It was observed that there has been a growing presence of FII inflows towards Indian Stock market as registered with SEBI. The study observed that FIIs have positive impact on both BSE Sensex and NSE Nifty. Kulshrestha (2014) studied the Impact of FIIs on Indian capital market from 2000-2011 and observed that investments by FIIs and movements of BSE Sensex and CNX NIFTY are closely correlated. FIIs have positive impact on both Sensex and Nifty. Daily Sensex and Nifty have very low degree of positive correlation with daily FII investments. Shrivastav (2013) studied the Influence of FIIs flows on Indian stock market and observed that Sensex and Nifty have moderate degree of positive correlation with FII investments and move in accordance with the direction of FII investments. FIIs have positive impact on improvement of market efficiency, because due to increasing investments by FIIs, SEBI and other regulatory bodies have to improve their trading mechanism and efficiency for retaining and attracting more FIIs.

Srikanth and Kishore (2012) investigated a cause and effect relationship between FII and Indian capital market from April 2003 to March 2011. They observed that the main objective of FIIs is maximizing returns and minimizing risk while keeping liquidity of the investments intact. In this paper they came with the conclusion that net FII inflows had a positive impact on the Indian capital market and forex reserves. FIIs inject global liquidity into capital markets and raise the price-to-earnings ratios thereby reducing cost of capital. FIIs offer dual advantage i.e., they offer a non-debt source of capital and bore the exchange rate risk. Higher IIP and interest rates act as catalysts for FII flows in India. Mohanamani and Sivagnanaithi (2012) examined the “Impact of FIIs on Indian capital market” for the period starting from 2000 to 2010 to analyse the nature and extent of FII investment in India and to study the relationship between FII investment and stock indices. They have used simple linear relationship between the two variables by using correlation and regression as data analysis tools by keeping FIIs investment as independent variable and Sensex and Nifty as dependent variable. During their study they have observed that FIIs tend to buy and sell stocks in bulk and trend to create major withdrawal effects when they leave. They have also found that FIIs flourished in the capital market over a period from 2000 to 2010 except during the year 2008 where there was a negative effect of FIIs. FII investment and movement of Sensex and Nifty are closely correlated in India. The movement of FII investment has significant influence on the stock market indices because when there is an upward trend in FIIs due to huge buying, Sensex and Nifty also rises. They have also found that high degree of volatility can be attributed to FIIs. Gupta (2011) in his paper, “Does the Stock Market Rise or Fall due to FIIs in India?” examined whether FIIs are cause or effect for the rise or fall in Indian stock market for a period of 5 years spanning from April 2006 to February 2011. His findings suggest that there has been increased presence of FIIs in Indian stock market which has led to reforms of securities market in terms of trading and transaction systems making it at par with international markets. He also highlighted that there is a good influence of FII purchases and sales in stock market prices.

2.1 Research gap

Based on the extensive literature review supported by relevant material found in books, journals, articles, magazines, project reports, annual reports, research papers and Ph.D. thesis, it has come to the fore that though different regimes were fostered by government from time to time to attract FIIs investment, but the country has not observed the real surge in FIIs investment. A proper and well-structured policy framework is still awaited especially related to their entry and exit movements. Though various studies have been already done in this area but their time period too was small. Moreover, some studies have captured only the pre-recession period and some have captured post-recession period only. So this study is an attempt to cover whole period in order to depict the clear picture of FIIs before the stakeholders of the stock market for investment decision purpose. The study also captured the latest trends of FIIs investments and its relation with NSE Nifty in India. With the reasons as ascribed above, the researcher proposes to conduct research so that a visible gap is plugged and further literature is added to the body of knowledge on subject matter.

2.2 Significance of study

This study may help the researchers, corporations, investors, portfolio managers, research institutions and other entities which are involved either directly or indirectly with the operations of the capital market to understand the investment pattern of FIIs towards India which are controlling and dominating its capital market. The volatility created by investment patterns of FIIs may also help the domestic institutional and retail investors to properly understand the impact of FIIs on Indian capital market and formulate their strategies accordingly for earning safer returns. The study will also help the authorities related to Indian capital market like SEBI, NSE, BSE, RBI etc. to bring further changes in rules and regulations to attract more FIIs while protecting the large interest of small and domestic investors.

2.3 Objectives of the study

1. To determine the investment trend of FIIs towards Indian capital market from 2000-2017.
2. To examine the association between Foreign Institutional Investors (FIIs) and NSE.
3. To investigate the impact of Foreign Institutional Investors (FIIs) on NSE.

3. METHODOLOGY

In the light of the objectives framed above, the following methodology is desired for the purpose. The data for the study has been collected from the reliable databases and secondary sources of relevant organizations like Securities Exchange Board of India (SEBI), Reserve Bank of India (RBI), National Stock Exchange (NSE), National Securities Depository Limited (NSDL), Central Depository Services Limited (CDSL), Ministry of Finance etc. The data was analyzed by the statistical technique of correlation for examining the degree of relationship between FIIs and NSE Nifty. Then Regression analysis was also used to verify and examine the impact of FIIs investments on Nifty. The methodology has been augmented by the use of diagrams and graphs with the help of Microsoft Excel, Statistical Package for Social Sciences (SPSS) and E-Views softwares to espouse the results.

3.1 Hypothesis

H1: There is a positive correlation between Net FIIs investment and NSE Nifty.

H2: There is significant impact of FIIs investments on NSE Nifty index from 2000-2017.

4. ANALYSIS OF DATA

4.1 Yearly Trend and pattern of FIIs investment in India from 1997-2017

Table 1. Annual growth Rate of FIIs

Year	Net FII investment (Rs in crores)	Absolute Change in FII investment	Annual Growth Rate (Percentage change)
1997-98	5958	-	-
1998-99	-1584	-7542	-126.586
1999-00	10122	11706	-739.015
2000-01	9933	-189	-1.867
2001-02	8763	-1170	-11.778
2002-03	2689	-6074	-69.314
2003-04	45764	43075	1601.896
200-405	45880	116	0.253
2005-06	41467	-4413	-9.618
2006-07	30841	-10626	-25.625
2007-08	66179	35338	114.581
2008-09	-45811	-111990	-169.222
2009-10	142658	188469	-411.405
2010-11	146438	3780	2.649
2011-12	93725	-52713	-35.996
2012-13	168364	74639	79.636
2013-14	51649	-116715	-69.323
2014-15	277460	225811	437.203
2015-16	-18175	-295635	-106.550
2016-17	-20217	-2042	11.235
2017-18	131421	151638	-750.051

Source: Compiled by researcher from various issues of SEBI Handbook of Statistics, NSDL and CDSL.

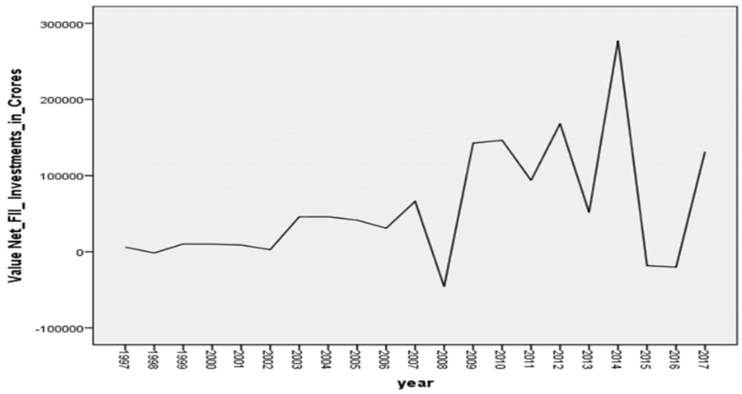

Figure 1. Graphical representation showing net FIIs investment from 2000 to 2017

The past data relating to FIIs investment reveals that there was not any investment in 1991-92. There was a paltry investment of Rs 13 crores in 1992-93. However, over a period of time they have shown a consistent positive increasing trend except few years like 2008, 2015 and 2016 as shown in the above tabulated data and line graph. The recent data revels that in 2014-15 FIIs net investment was Rs 277460 crores, in 2015-16 it was Rs -18175 crores and in 2016-17 it was Rs -20217 crores and then again showed a positive trend in 2017-18 with Net investment of Rs 131421 crores. Presently the major part of the investment in Indian capital is attributed to institutional investors among whom the FIIs are of primary importance.

4.2 Yearly NSE Nifty and Net FII investment from 2000-01 to 2017-18

Table 2. NSE Nifty and Net FII investments

Year	Net FII Investment (Rs in crores)	NSE CNX Nifty (Average closing points)
2000-01	9933	1334
2001-02	8763	1077
2002-03	2689	1037
2003-04	45764	1034
2004-05	45880	1804
2005-06	41467	2515
2006-07	30841	3572
2007-08	66179	4896
2008-09	-45811	3731
2009-10	142658	4658
2010-11	146438	5584
2011-12	93725	5243
2012-13	168364	5257
2013-14	51649	6010
2014-15	277460	7967
2015-16	-18175	7984
2016-17	-20217	8421
2017-18	131421	9870

Source: Compiled by researcher from various issues of SEBI Handbook of Statistics, RBI, NSE, NSDL and CDSL.

4.3 Unit Root Analysis at 5% level of Significance

Table 3. ADF-Test Results

Variables	At level			At First Difference		
	t-statistics	Critical values	P-value	t-statistics	Critical values	P-value
FIIs	-4.143653	-3.052169	0.0060			
NSE	0.581920	-3.052169	0.9844	-3.963631	-3.081002	0.0099

Source: Compiled by researcher by using E-views software.

Interpretation: To check the stationary, Augmented-Dicky-Fuller test have been used for both the variables. The output results of ADF test in table 3 shows that the variable FIIs is stationary at its original level because its P-value is less than 5% (i.e. 0.0060 < 0.0500) and the absolute "t statistic" is also more than the critical values. While as the CNX Nifty is non-stationary at its original level and stationery at its first difference at 5% level of significance. Thus according to ADF test results the yearly net FIIs investments are stationary at level and is having order 0 i.e. FIIs I (0), while as the Nifty variable is stationary at its first difference and having order 1 i.e. I (1).

4.4 Association between net FIIs investments and NSE Nifty

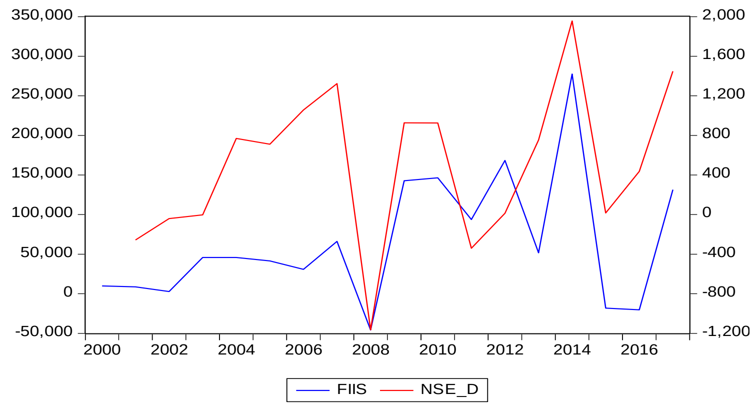

Figure 2. Graphical representation showing net FIIs investment and NSE Nifty points from 2000 to 2017.

Table 4. Descriptive Statistics and Correlation analysis

VARIABLES	FIIs	NSE
Mean	68770.29	502.1176
Median	45880.00	711.0000
Maximum	277460.0	1957.000
Minimum	-45811.00	-1165.000
Std. Dev.	82772.93	775.7437
Skewness	0.878689	-0.184595
Kurtosis	3.401742	2.702300
Jarque-Bera	2.301923	0.159323
Probability	0.316333	0.923429
Observations	17	17
Correlation	1.000000	0.632965

Source: Compiled by researcher by using E-views software.

From the above statistical results it shows that there is a positive correlation between Net FIIs Investment and CNX Nifty movement from 2000-01 to 2017-18. The correlation value is 0.632965 and hence the set hypothesis that "there is a positive correlation between Net FII investment and CNX Nifty" has been accepted.

4.5 Regression Analysis of FIIs and DIIS with economic indicators

Table 5. Regression summary

Dependent Variable: NSE_D
Method: Least Squares
Date: 02/15/21 Time: 11:55
Sample (adjusted): 2001 2017
Included observations: 17 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	94.16432	198.0626	0.475427	0.6413
FIIS	0.005932	0.001873	3.166527	0.0064

R-squared	0.400645	Mean dependent var	502.1176
Adjusted R-squared	0.360688	S.D. dependent var	775.7437
S.E. of regression	620.2614	Akaike info criterion	15.80829
Sum squared resid	5770864.	Schwarz criterion	15.90632
Log likelihood	-132.3705	Hannan-Quinn criter.	15.81803
F-statistic	10.02689	Durbin-Watson stat	1.451800
Prob(F-statistic)	0.006387		

Source: Compiled by researcher by using E-views software.

Interpretation: Regression analysis was used to determine the strength of relationship between FIIs investment and the NIFTY from 2000-17 in order to predict the change in dependent variable NIFTY due to the change in independent variable FIIs. From the above regression analysis it has been observed that the R-square which measures the effect or the extent of variation in dependent variable NIFTY as explained by the independent variable FIIs is 0.400645. It means that one unit change in FIIs will lead to a change of nearly 40% in FIIs. The P-value of F-statistic which is used to test whether the model is statistically fit had come less the 0.0500 (0.006387 < 0.0500) which indicates that the model is statistically significant and hence accepted. The P-value of FIIs is 0.0064 which is less than 0.0500 indicating that is significant impact of FIIs on NIFTY. Hence the hypothesis, "There is significant impact of net FIIs investment on CNX Nifty index from 2000-2017" is accepted.

5. RESULTS AND DISCUSSIONS

On the basis of the above data analysis, it has been observed that the FIIs are influencing the NSE Nifty movement to some extent. It is evident that NSE Nifty has shown huge fluctuations with the rise or fall in FII inflows and outflows. It was found that FIIs flourished in the Indian capital market during 2000-2017 and have always posted positive trend lines except for the few years. The Karl Pearson's correlation test has been used indicating thereof moderate positive correlation between net FIIs investments and NSE Nifty movement. The positive correlation of FIIs with Nifty reveals that the variables understudy move in the same direction i.e. whenever FIIs investment increases, Nifty indices also increases and vice versa. It is pertinent to mention here that our results corroborates with other previous studies who have also observed a moderate positive correlation between these variables like (Jeyanthi, 2016; Shah, 2014; Vimaldevi, 2014; Kulshrestha, 2014; Shrivastav, 2013; Srikanth & Kishore, 2012). However, the correlation value being moderate indicates that FIIs are one of the major factors affecting the Indian stock market but not sole factors because there may be many other internal and external macro-economic and geo-political factors that indirectly affect it. But our results contradicts with the some previous studies who revealed that FIIs does not create volatility on Nifty and thus does not show a major impact on Indian stock market like (Kafila & Srinivasan, 2018; and Arora & Kumar, 2015). Their observance of negative correlation is attributed to the study period adopted by these researchers capturing mostly the recession phase covering the data of years with maximum negative figures of net FIIs investment. Withdrawals by FIIs in recessionary period has created a cascading effect on withdrawals by domestic investors and this has happened more during the period of 2009-2013 which is captured by these studies.

6. CONCLUSION AND SUGGESTIONS

The FIIs have shown an increasing pattern of investments during 2000-2017 except few the years like 2008 which was purely based on Global Economic Meltdown (US Sub-prime Lending Crisis). On 21st January, 2008 Indian capital market showed a see-saw movement and was shaken due to the by which BSE Sensex fell down by 2000 points intra-day. Moreover, the NSE NIFTY also fell by around 1200 points during the year 2008-2009 (Chahuan, 2018). According to our analysis and findings, it has been observed that FIIs have moderate positive association with Indian capital market during the study period. However, the correlation value being moderate indicate that FIIs are not the only factors but there can be other factors also that affect the volatility of prices on NSEs Nifty index. Our statement is supported by other researchers also like (Diman, 2012; and Shah, 2014) who also revealed that FIIs are not the sole factors affecting Indian stock market but there are other factors also like government policies, budgets, bullion market, inflation, economic and political condition that impacts the Indian stock market. The study also observed that there is significant impact of net FIIs investment on CNX Nifty index from 2000-2017. This statement is also supported by (Kumar & Malik, 2019; Mohanamani & Sivagnanaithi, 2012). However, (Kafila & Srinivasan, 2018; Arora & Kumar, 2015)) found that the foreign institutional investment doesn't show a major impact on Indian stock market during the period 2013-2015.

It is pertinent to note that inspite of political differences and lack of infrastructural facilities, India is considered as one of the best investment destinations by FIIs because Indian economy is an emerging one, therefore, the growth potential of securities is higher. The higher and safer returns in the Indian stock market (perhaps the single most factor) influence the decisions of FIIs towards the Indian stock market. The other factors that include that Indian rupee is showing strong resilience over dollar, high GDP growth rate, high interest rates, high liquidity, mandatory corporate governance for listed companies, international credibility of SEBI, regulatory legal framework, disclosure-based regime of regulations, closeness of Indian Accounting standards to International Standards, electronic transactions on real time basis, 21 Indian firms out of 100 rapidly emerging global markets, T+2 rolling settlement as opposed to T+3 which is followed in NYSE.

Considering the potential of Indian capital market the policy makers should provide more opportunities and reasons to FIIs for investing in Indian capital market. The policy makers should come up with suggestions for attracting more FIIs into India capital market. The suggestions could include the lifting of sectoral caps in more areas delineated for foreign investment. Moreover, the concerned regulatory authorities of Indian capital market like SEBI, NSE, BSE, RBI etc. should bring affirmative changes in rules and regulations to attract more and more FIIs while protecting the large interest of small and domestic investors.

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3) http://www.imf.org
4) http://www.bseindia.com
5) http://www.nseindia.com
6) http://www.moneycontrol.com
7) http://www.nsdl.com
8) http://www.cdsl.com
9) www.shodhganga.inflibnet.ac.in
10) www.papers.ssrn.com
11) www.indianresearchjournals.com
12) www.yahoo finance.com
13) www.google scholar.com