Advances in Economics and Business Management (AEBM)
p-ISSN: 2394-1545; e-ISSN: 2394-1553; Volume 3, Issue 8; October-December, 2016, pp. 766-771

http://www.krishisanskriti.org/Publication.html

Impact of Foreign Institutional Investors on Indian Capital Market

G. Yasmin[1], D. Sasikumar[2] and M.A.S. Raja Mohammed[3]

[1]*(Corporate Secretaryship) Bharathiar University Coimbatore-641 046 Tamilnadu, India*
[2]*Commerce-Tiruvalluvar Government Arts College Rasipuram-647 401, Tamilnadu, India*
[3]*Planning Manager, HCC Construction Company TMCH Project*
Visakhapatnam-530 046, Andra Pradesh, India
E-mail: [1]yasminmcs@gmail.com, [2]dskcow@gmail.com, [3]raja.mas1979@gmail.com

Abstract—*One of the major forces changing the face and structure of international capital markets since 1990s has been the flow of cross-border portfolio investments especially by foreign institutional investors (FIIs) from developed countries to the developing economies. India has emerged as one of the most attractive investment destinations in Asia. Portfolio investors provide institutional character to the capital markets, flavored by highly intensive research and diversified investments. FIIs are specialised financial intermediaries managing savings collectively on behalf of investors, especially small investors, towards specific objectives in terms of risks, returns, and maturity of claims. FIIs make investments in various countries to provide a measure of portfolio diversification and hedging to their assets. The net investments of FII stood at Rs 18,106 crore (US$ 2.65 billion) in March 2016, out of which Rs 16,731 crore (US$ 2.45 billion) was invested in equities and Rs 1,375 crore (US$ 201 million) was invested in debt. Cumulative value of investments by FIIs during April 2000-December 2015 stood at US$ 179.32 billion. Economies like India, which offer relatively higher growth than the developed economies, have gain favour among investors as attractive investment destinations for foreign institutional investors. There's no doubt that Foreign Institutional Investors (FIIs) have been the growth driver of the Indian market, particularly when the market is lacking the urge to march northwards amid weak fundamentals and uncertainty over global growth. This paper makes an attempt to understand the trading behaviour of FIIs and effect on the Indian capital market especially in selected investment avenues, in addition to comparative analysis of equity/debt investments by FII with BSE sensex. The study using monthly and year wise data on equity and debt inflows of foreign institutional investors from Jan 1992-2016, which provides the evidence of positive correlation between FII net flows of equity and debt.*

Keywords*: Capital market, Stock exchange, Investment, SEBI, Debt, Equity, Securities, Sales, Purchase, FII, BSE sensex*

1. INTRODUCTION

FII, Foreign Institutional Investor refers to outside companies investing in the financial markets of India. International institutional investors must register with Securities & Exchange Board of India (SEBI) to participate in the market. The total value of FII holdings in NSE-listed companies rose to Rs 20.13 lakh crore in the April-June quarter this year. In percentage terms, FIIs' ownership on average climbed to 6.65 per cent in the June quarter of this year from 6.59 per cent in the preceding three months. The report noted that 454 Foreign Institutional Investors (FIIs) are invested into Indian equities across all NSE-listed companies. The Foreign institutional investors (FIIs), whose investments are often called 'hot money' because they can be pulled out at any time, have been blamed for large and concerted withdrawals of capital from the country at the time of recent financial crisis, they have emerged as important players in the Indian capital market. In this paper, we are trying a simple attempt to explain the impact and extent of foreign institutional investors in Indian capital market. The paper covers the statistical analysis of FII flows and its overall trading activity on debt and equity till 2016. It also helps to find the relationship between the FII on BSE sensex.

2. LITERATURE REVIEW

a) Anantha Narayanan (2004) found that after allowing FIIs into the Indian stock market, the unexpected flow of FII had greater impact than expected flow of FII. He also found that there was strong evidence consistent with the base broadening hypotheses.

b) Dr. K.B. Singh & Dr. S.K. Singh (2012) found that there was a significant impact of FIIs on CNX-Nifty Index and there was a moderate impact of FIIs investment in the fluctuation of the CNX-Nifty Index for their study period.

c) Gordon and Gupta (2003) it was found observed that FIIs act as market makers and book profits by investing when prices are low and selling when they are high. Hence, there are contradictory findings by various researchers regarding the causal relationship between FII net inflows and stock market capitalization and returns of BSE/NSE. Therefore, there is a need to investigate whether FIIs are the cause or effect of stock market fluctuations in India.

d) Anand Bansal and J.S. Pasricha (2009) studied the impact of market opening to FIIs on Indian stock market behaviour. They empirically analyze the change of market return and volatility after the entry of FIIs to Indian capital market and found that while there is no significant change in the Indian stock market average returns; volatility is significantly reduced after India unlocked its stock market to foreign investors.

e) Verma and Prakash (2011) observed that the interest rate sensitivity of FII flows is not statistically significant and concluded that the BSE Sensex is a major pull factor for these flows into the domestic financial market.

3. OBJECTIVES OF THE STUDY

The key objectives of the study are listed below:

1) To find out the relationship between FII and Indian Capital Market.

2) To analyze the nature and regulations of Foreign Institutional Investment in India.

3) To compare the trading activity of foreign institutional investors with different period.

4) To find the impact of FII with stock market index with various time period.

4. RESEARCH METHODOLOGY

The present study helps to understand the role of FIIs in Indian Capital Market. The recent updates in the research help to know about the growth and importance of FIIs in the developing economy. It helps to analyse the flow of equity and debt by FIIs in various years. The data used in the study is secondary in nature. It is collected with the help of books, web sites and various other sources. Moreover, it would be beneficial to gain knowledge regarding FIIs and their impact on Indian stock market.

5. SCOPE OF THE STUDY

As the subject is very vast the study is mainly focused on identifying whether there does exist a relationship between FIIs and Indian Capital Market. It is mainly based on the data available in various websites. The inferences made are purely from the past year's performance.

6. STATISTICAL TOOLS AND TECHNIQUES

The present study has used Correlation, ANOVA and Regression for the analysis and interpretation of data. The data was classified and tabulated with the help of using MS EXCEL data analysis tool.

7. HYPOTHESIS

Significance in between Equity & Debt of FII

H0: There is no significant relationship between Equity and Debt of FII from historical data 1992-2016.

H1: There is a significant relationship between FII Equity and Debt from 1992-2016.

Significance in between FIIs Inflow and BSE Sensex

H2: There is no significant relationship between Growth Rate of FII and BSE Sensex.

H3: There is a significant relationship between Growth Rate of FII and BSE Sensex.

8. PERIOD OF THE STUDY

The period for which the study was covered is 25 years from 1992 - 2016

9. OVERVIEW OF INDIAN CAPITAL MARKET

The Indian capital market is more than a century old. Its history goes back to 1875, when 22 brokers formed the Bombay Stock Exchange (BSE). Over the period, the Indian securities market has evolved continuously to become one of the most dynamic, modern, and efficient securities markets in Asia. Today, Indian market confirms to best international practices and standards both in terms of structure and in terms of operating efficiency. Indian securities markets are mainly governed by a) The Company's Act 1956 b) The Securities Contracts (Regulation) Act 1956 (SCRA Act) and c) The Securities and Exchange Board of India (SEBI) Act, 1992. The Indian securities market consists of primary (new issues) as well as secondary (stock) market in both equity and debt. The primary market provides the channel for sale of new securities, while the secondary market deals in trading of securities previously issued. Two exchanges, namely National Stock Exchange (NSE) and the Stock Exchange, Mumbai (BSE) provide trading of derivatives in single stock futures, index futures, single stock options and index options.

10. ENTRY OF FOREIGN INSTITUTIONAL INVESTORS IN THE INDIAN CAPITAL MARKET

Today, FIIs are permitted to invest in all securities traded on the primary and secondary markets, including equity shares and other securities listed or to be listed on the stock exchanges. The FIIs started investing in Indian capital market from September 1992. Such investments include equity, debentures, warrants and other securities of companies unlisted, listed or to be listed on a stock exchange in India including the Over-the-Counter Exchange of India, derivatives traded on a recognised stock exchange and schemes floated by domestic mutual funds. The numbers of scrips under following index are BSE Sensex-30, NSE Nifty-50, BSE Consumer Durables (CD)-22, BSE Capital Goods (CG)-49, BSE Fast Moving Consumer Goods (FMCG)-44 and BSE Information Technology (IT)-42. The Union Government allowed the entry of FIIs in order to encourage the capital market and attract foreign funds to India. The original guidelines were issued in September 1992. Subsequently, the Securities and Exchange Board of India (SEBI) notified the SEBI (Foreign Institutional Investors) Regulations in November 1995.

11. REGULATIONS ON INVESTMENT IN INDIAN COMPANIES

The Portfolio investments in primary or secondary markets were initially subject to a ceiling of 24 per cent of issued and paid up share capital for the total holdings of all registered FIIs in any one company, taking into account the conversions arising out of the fully and partly convertible debentures issued by the company. Further, the maximum holding of 24 per cent, for all FII investments did not include portfolio investments by non-resident Indians (NRIs), NRI-OCBs (overseas corporate bodies), direct foreign investments, offshore single/regional funds, global depository receipts and euro convertibles. In the case of public sector banks, the overall limit is 20 per cent of the paid-up capital. In 1997, it was decided to increase the limit of aggregate investment in a company by FIIs to 30 per cent of issued and paid-up share capital, subject to the condition that the board of directors of the company approved the limit and the general body of the company passed a special resolution in this behalf.

Further, the Finance Minister in his budget speech in February this year announced that, subject to approval by the board of directors and a special resolution of the general body of the company, this limit of foreign portfolio investment was being increased to 40 per cent of issued and paid-up capital of a company. The holdings of a single FII in any company are also subject to a ceiling of 10 per cent of total issued capital. For this purpose, the holdings of an FII group will be counted as holdings of a single FII. In addition to FIIs, NRIs, OCBs and Persons of Indian Origin (PIOs) are allowed to invest in the primary and secondary capital markets in India through the portfolio investment scheme (PIS). Under this scheme, NRIs/OCBs/PIOs can acquire shares, debentures of Indian companies through stock exchanges in India. The ceiling can be raised to 24 per cent, subject to the approval of the general body of the company passing a resolution to that effect. For carrying out transactions, the FIIs should designate a bank branch and open accounts in that branch.

The investment operations of FIIs will be conducted through the bank branch designated by them. The RBI will permit the designated bank branch to open a foreign currency denominated account and a special non-resident rupee account in the name of the FII. The FII will also be permitted to (a) transfer funds from foreign currency account to rupee account and vice versa (b) make investments out of the balance in the rupee account (c) credit the sale proceeds of shares and other investments as also dividend/interest earned on the investments in the rupee account and (d) transfer the repatriable proceeds (net of taxes) from the rupee account to the foreign currency account. An FII will not engage in any short selling in securities. There are approximately 500 FIIs registered with SEBI, but not all of them are active.

12. FII INFLUENCE ON STOCK EXCHANGE

The extent to which FIIs influence stock market movement is debatable, but their formidable financial muscle power definitely decides direction of the stock market. Since FIIs buy and sell stocks in bulk and follow herd mentality, sustained buying/selling on their part results in a sharp rise/fall in prices. If we look at the historical data, whenever FIIs have withdrawn money, the stock market has fallen and vice versa. For instance, in 2008, the BSE Sensex fell almost 50% due to the global financial meltdown, wiping out the gains of 2007. This process gets repeated every now and then and same can be interpreted by comparing the FII data and the Sensex/Nifty levels. If the cap on FII is high then they can bring in lot of funds in the countries stock markets and thus have great influence on the way the stock markets behaves, going up or down. The FII buying pushes the stocks up and their selling shows the stock market the downward path. So this is how influencing FII can be, as is seen in the present downtrend of the stock markets in India courtesy heavy FII selling."FII holdings went up in 437 companies listed on NSE in the last one year with the average stock price return of these companies in the same period being a huge 37 per cent. On the other hand, FII holdings went down in 577 companies listed at NSE. The average stock price return of these companies in the same period was 18.32 per cent".

13. ELIGIBILITY OR REQUIREMENTS FOR MAKING AN FII

The institutions can be in the form of following only 1) Pension Funds 2) Mutual Funds 3) Investment Trust 4) Insurance or reinsurance companies 5) Endowment Funds 6) University Funds 7) Foundations or Charitable Trusts or Charitable Societies who propose to invest on their own behalf. And if wants to register as a broad base funds then it can be in the form of a) Asset Management Companies b) Nominee Companies c) Institutional Portfolio Managers d) Trustees e) Power of Attorney Holders f) Bank

14. FIIS INVESTMENT AVENUES

- Securities in the primary and secondary market including shares which are unlisted, listed or to be listed on a recognized stock exchange in India.
- Units of schemes floated by the Unit Trust of India and other domestic mutual funds, whether listed or not.
- Warrants 100% DEBT ROUTE: In case of Debt Route the FIIs can invest in the following instruments 1. Debentures 2.Bonds 3.Dated government securities 4.Treasury bills and 5.Other Debt Market Instruments.

But, the foreign companies and individuals are not eligible to invest through the 100% Debt route.

15. TAX PROVISIONS

The tax on interest payment on bonds held by FIIs is 20 per cent. Dividend on shares held by them is exempt after June 1, 1997. Short-term capital gains are taxed at 30 per cent while long-term capital gains are taxed at 10 per cent. The provisions of Avoidance of Double Taxation Agreement will however be applicable. However, on account of the concessional rate of income tax on capital gains, the provisions now available to non-residents for protection from fluctuation of the rupee value against foreign currency for computing capital gains arising from the transfer of securities of an Indian company will not apply to the FIIs which are covered under Sec. 115AD of the Income-tax Act. Shares in a company will have to be held for more than 12 months in order to qualify as a long-term capital asset. Other securities will have to be held for more than 36 months in order to qualify as a long-term capital asset.

16. GOVERNMENT INITIATIVES

- The Ministry of Finance plans to set up an expert panel to work out the modalities of implementing changes in the new tax regime post the withdrawal of capital gains benefits under the India-Mauritius tax treaty, which is expected to help prevent any potential confusion and assuage foreign investors facing changes in the tax regime.
- The Maritime India Summit 2016, which was held in Mumbai between 14th-16th April, has attracted investments worth Rs 82,905 crores (US$ 12.29 billion) across 141 memoranda of understanding (MOU) and business agreements, which were signed by various players in the maritime sector.
- Government of India has accepted the recommendation of A.P. Shah Committee to not impose Minimum Alternate Tax (MAT) on overseas portfolio investors retrospectively for the years prior to April 01, 2015, thereby providing significant relief to foreign portfolio investors (FPIs).
- The Securities and Exchange Board of India (SEBI) has allowed Foreign Portfolio Investors (FPI) to invest in units of Real Estate Investment Trusts (REITs), infrastructure investment trusts (InvITs), category III Alternative Investment Funds (AIFs), and also permitted them to acquire corporate bonds under default.
- In order to make India a more attractive foreign investment destination, the Ministry of Finance is planning to introduce the residency permit policy, which will allow key executives of foreign companies making investments worth US$ 2 billion or more in India, to avail various facilities such as special package on upscale housing, residency permits allowing long stay in the country, and cheap rates for utilities.
- The Reserve Bank of India (RBI) has stated that it will take steps to ease doing business and contribute to the growth of start-ups by simplifying processes and creating an enabling framework for receiving foreign venture capital, in line with the Government of India's 'Start-up India' initiative.
- The RBI has also allowed a number of foreign investors to invest, on repatriation basis, in non-convertible/redeemable preference shares or debentures issued by Indian companies listed on established stock exchanges in India. The investment should be within the overall limit of US$ 51 billion allocated for corporate debt.
- The Government of India is also planning to relax some of the safe harbour rules set for offshore fund managers, in order to allow private equity investors to shift their base to India without attracting a tax on capital.
- The People's Bank of China (PBoC) has invested US$ 500 million in Indian bonds for the first time since the Indian government eased restrictions on foreign investors.

17. ANALYSIS AND INTERPRETATION

Table 1: Correlation & ANOVA analysis for debt and equity of FII from 1992-2016

FY	Equity	Debt	Period	Analysis Part 01		Result	Analysis Part 02	Result
				Correlation			Anova	
1992-93	13	0						
1993-94	5127	0						
1994-95	4796	0						
1995-96	6942	0						
1996-97	8546	29						
1997-98	5267	691	T-01	Positive 0.950	0.950	H1	P-Val 0.01901	H1
1998-99	-717	-867						
1999-00	9670	453						
2000-01	10207	-273						
2001-02	8072	690						
2002-03	2527	162						
2003-04	39960	5805						
2004-05	44123	1759						
2005-06	48801	-7334	T-02	Negative -0.845	-0.845	H1	P-Val 0.00849	H1
2006-07	25236	5605						
2007-08	53404	12775						
2008-09	-47706	1895	T-03	Positive 0.948	0.948	H1	P-Val 0.3856	H0
2009-10	110221	32438						
2010-11	110121	36317						
2011-12	43738	49988	T-04	Negative -1.000	-1.000	H1	P-Val 0.39721	H0
2012-13	140033	28334						
2013-14	79709	-28060						
2014-15	111333	166127	T-05	Positive 0.613	0.613	H1	P-Val 0.696	H0
2015-16	-14172	-4004						
2016-17 **	47824	5734						

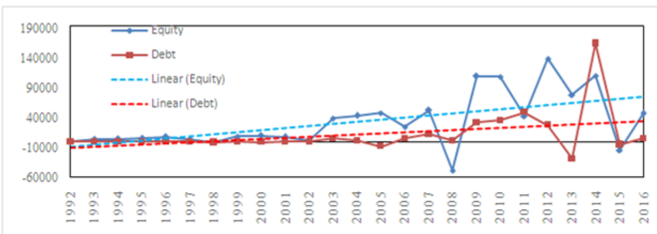
Source: self calculated (ANOVA&correlation)

* The data (debt/equity) presented above is compiled by www.moneycontrol.com/stocks/marketstats/fii_dii_activity/ on the basis of reports submitted to SEBI/Depositories by DDP/Custodians and constitutes trades conducted by FPIs/FIIs on and upto the previous trading day(s).

Interpretation: The above table represents the relationship between the debt and equity inflows of FII. The tools and results of the analysis are as follows:

17.1.1 Correlation analysis: The Overall data states that a positive Correlation Value + 0.523 are found in between. From Historical Data the Equity & Debt investment by the FIIs from 1992 to 2016 are grouped in Periods T-01,T-02,T-03,T-04 and T-05 (Negative in 2004-2007&2011-2013 and Positive in remainig period) hence favoring H1 hypothesis.

17.1.2 ANOVA: In Table 01 Anova analysis are done for Periods T-01 to T-05 which results that equity and debt for the year 1992-2007 are significant favouring H1. While The remaining years are not significant H0 due to rapid increament and decreament in value of inflow in period T-03 to T-05



Source: self calculated

Above Graph indicates the following results: (a)financial flow of FII Equity and Debt are having similar pattern of Trend line view from year 1992 to 2016 (b) Similarly Parallel growth phase from 1992 to 2004 and (c) Inverse growth pattern are found over years from 2005-2007 & 2012-2013.

Table 2: Debt Equity (regression) analysis of FII from 1992-2016

FY	Equity	Debt	Period	Analysis Part 03 Regression Individual Period	Result	Analysis Part 04 Regression Entire Period	Result
1992-93	13	0					
1993-94	5127	0					
1994-95	4796	0					
1995-96	6942	0					
1996-97	8546	29		F Sig 2.18E-06			
1997-98	5267	691	T-01	P-Int 0.000677	H1		
1998-99	-717	-867		P-X 2.187E-06			
1999-00	9670	453					
2000-01	10207	-273					
2001-02	8072	690					
2002-03	2527	162					
2003-04	39960	5805				F Sig 0.007227	
2004-05	44123	1759		F Sig 0.35968			H1
2005-06	48801	-7334	T-02	P-Int 0.087562	H1	P-Int 0.005447	
2006-07	25236	5605		P-X- 0.359682			
2007-08	53404	12775		F Sig 0.05237		P-X 0.007227	
2008-09	-47706	1895	T-03	P-Int 0.32374	H1		
2009-10	110221	32438		P-X- 0.05237		R Sqr 0.27415	
2010-11	110121	36317				Adj R Sq 0.2425	
2011-12	43738	49988	T-04	NA for less Data comparition			
2012-13	140033	28334					
2013-14	79709	-28060					
2014-15	111333	166127	T-05	F Sig 0.386587	H0		
2015-16	-14172	-4004		P-Int 0.26850			
2016-17 **	47824	5734		P-X- 0.38658			

Source: *self calculated (regression)*

Interpretation: The above table finds the relationship between equity/debt through regression analysis.

17.2.1 Regression: In Table 02, the individual periods for T-01, T-02, T-03, and T-04 result shows H1 but for period T-05 it results H0 due to rapid change of inflow in both Equity and Debt. Therefore the overall result shows, there is a (H1)significance relation exists in between equity and debt from 1992-2016.

Table 3: Comparative analysis on FII debt/equity with the BSE sensex

Historical DATA			Analysis					
FY	BSE SenSex Data in March	FII E&D Data in March	Period	BSE Growth Raise & Fall	% BSE Avg	FII Eq&D Growth	% FII E&D Avg	Result
1996-97	⇩ 4305.76	⇩ 5,958						
1997-98	⇩ 3892.75	⇩ (1,584)		↘ (2,065)		↗ -7542		
1998-99	⇩ 3739.96	⇩ 10,122		↘ (764)		↗ 11706		
1999-00	⇩ 5001.28	⇩ 9,933	T-01	⇧ 6,307	17%	↗ -189	17%	H3
2000-01	⇩ 3604.38	⇩ 8,763		⇩ (6,984)		↗ -1170		
2001-02	⇩ 3469.35	⇩ 2,689		↘ (675)		↗ -6074		
2002-03	⇩ 3048.72	↘ 45,765		↘ (2,103)		↗ 43076		
2003-04	⇩ 5590.60	↘ 45,881		↘ 12,709		↗ 116		
2004-05	⇩ 6492.82	↘ 41,467	T-02	⇩ 4,511	33%	↗ -4414	33%	H3
2005-06	↘ 11279.96	⇩ 30,840		⇧ 23,936		↗ -10627		
2006-07	↘ 13072.10	↘ 66,179		↗ 8,961		↗ 35339		
2007-08	↘ 15644.44	⇩ (45,811)	T-03	↗ 12,862	25%	↘ -111990	25%	H3
2008-09	⇩ 9708.50	↗ 142,658		⇩ (29,680)		⇧ 188469		
2009-10	↗ 17527.77	↗ 146,438		⇧ 39,096		↗ 3780		
2010-11	↗ 19445.22	↘ 93,726	T-04	⇧ 9,587	50%	↘ -52712	50%	H3
2011-12	↗ 17404.20	↗ 168,367		⇩ (10,205)		↗ 74641		
2012-13	↗ 18835.77	↘ 51,649		↘ 7,158		↘ -116718		
2013-14	⇧ 22386.27	⇧ 277,461	T-05	⇧ 17,753	25%	⇧ 225812	25%	H3
2014-15	⇧ 27957.49	⇩ (18,176)		⇧ 27,856		⇩ -295637		
2015-16	⇧ 25341.86	↘ 53,558		⇩ (13,078)		↗ 71734		

Source: Self calculated (Analysis of equity/debt)

Interpretation: Table 03 shows the analysis of BSE Sensex & FII inflow. It is observed that averages of growth raise&fall within the each individual period are similar. Hence the result is (H3) hypothesis, it states that there is a significant relation exists between FII Equity / Debt & Sensex Index correspondingly in above data.

18. SUGGESTIONS

The outlook for India among the world nations is good. Industries are performing remarkably well in all sectors. The global investment bank is of the view that India remains to be in a structural bull market. To attract portfolio investments and retain their confidence, the host country has to follow stable macro-economic policies. The stock market is at a record high. After analyzing the nature and performance of foreign institutional investors and their influence in the Indian capital market SEBI can still be more cautious in regulating the flow of Hot Money. The Indian Government and SEBI can check the volatility of FIIs, and also more priority can be given to long term sources of funds.

19. CONCLUSION

The FII are having significant impact on the Indian stock market. According to a poll conducted by Bank of America Merrill Lynch, India was the most favorite equity market for the global investors for the year 2015 at 43 per cent, followed by China at 26 per cent. However, foreign institutional investors (FIIs) remain optimistic about the India growth story and are investing strongly. From our study on the impact of foreign institutional investments on the capital market we came to know they have net investments in Indian equities and debt have touched record highs in the past financial year, backed by expectations of an economic recovery, falling interest rates and improving earnings outlook. FIIs net investments stood at Rs 18,106 crore (US$ 2.68 billion) in March 2016, out of which Rs. 16,731 crore (US$ 2.48 billion) was invested in equities and Rs 1,375 crore (US$ 203.83 million) was invested in debt. Cumulative value of investments by FIIs during April 2000-December 2015 stood at US$ 179.32 billion. According to data from Thomson-Reuters, total M&A deals involving Indian companies grew by 82 per cent to US$ 27 billion during January to June 2016, which is the highest in the first six months in any year since 2011, led by a four and a half time increase of Indian acquisitions abroad at US$ 4.5 billion. FII’s helps in the process of economic development by providing riskier, long-term capital to companies for growth. Their presence improves efficiency of stock market and maintains the balance between stock price and its value. They help in financial innovation and improve corporate governance practices of companies. As they catalyse growth, government tries their level best to make them comfortable while dealing in Indian financial market.

REFERENCE

[1] Douma, S., Kabir, R. and Rejie, G. (2006). “Foreign and domestic ownership, business groups and firm performance-Evidence from large emerging market”, *Strategic Management Journal*, Vol. 27, No.7, pp. 637-657.

[2] Ganesamoorthy, L., & Shankar, H. (2012). Dynamics of FII investment and stock market returns in India: *An empirical analysis. Indian Journal of Finance*, 6 (5), pp. 25-31.

[3] *Asia-Pacific Journal of Management Research and Innovation* January 2008 vol. 4 no.1, pp. 27-33

[4] http://indianmoney.com/how/what-are-the-rbi-guidelines-for-an-fii-to-invest-in-india

[5] license.ozg.in/2013/01/foreign-institutional-investor-fii.html

[6] http://www.business-standard.com/article/markets/ fiis-pump-1-5-billion-a-month-since-feb-116091800863_1.html

[7] http://www.ibef.org/economy/foreign-institutional-investors.aspx \

[8] https://www.fpi.nsdl.co.in/web/Reports/Yearwise.aspx?RptType=5