

# Performance Analysis of FII on Indian Stock Exchange

Dr.K. Chitradevi and G. Kalpana

**Abstract---** Foreign Institutional Investment is most important crucial role. This research study will benefit for the foreign institutional investors. The research paper has analyzed the impact of foreign institutional investment and national stock Exchange in India and the influence between the Foreign Institutional Investment and NSE, the FIIs flow into Indian stock markets. The study was taken 18 years into considered from 2000-01 to 2017-18. The period has been selected so that the flow of FII and Stock Market can be ascertained from the initial period FII investment was permitted in India. NSE is one of the biggest indices, so have the selected for the study. The present study has been set out to accomplish the following objectives. To analyse the relationship between Foreign Institutional Investment and capital market segments on National Stock Exchange in India. To determine the Foreign Institutional Investment and capital market segments on National Stock Exchange in India. The present study covers a period of 18 years, taking from 2000-01 to 2017-18. There is no significant relationship between Capital Market Segment on National Stock Market and Foreign Institutional Investment. Foreign institutional investment is good fluctuation in the time period from 2000-01 to 2017-18. There has been a correlation between foreign institutional investment in equity and capital market segments of National Stock Exchange in India. The relationship between the variables significant level at 1 %, there was a result proved moderate impact between the foreign institutional investment and capital market segments of national stock exchange. Therefore the null hypothesis is rejected the alternative hypothesis is accepted. The Foreign Institutional Investment is the positive impact on NSE.

**Keywords---** FII, NSE and Economic Development.

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## I. INTRODUCTION

The amount of investment is considered to be the back bone any of the country economy. The developing country such as India, Brazil, and China etc. domestic capital market is not adequate to fulfil the necessity of economy. The foreign capital investment plays the very crucial role in the capital market. The Foreign capital inflow in India into two categorized channels such as foreign direct investment and foreign institutional investment. Foreign direct investment is considered as a more stable form of foreign capital as compared with foreign institutional investment but foreign institutional investment inflow and outflow have been a direct impact on the stock market. The foreign institutional investment (FII) contribution has brought tremendous growth in the development of stock market in India. Indian stock market development is one of the most important features in the 20 years have been the growth of participation of foreign institutional investment. Until the 1980 depts. and other development funds were used to settle the financial deficit. Foreign investment and private commercial inflows were

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not much encouraged. From the beginning of the reform process in the early 1990, in India's policy has changed substantially, aiming the growing global foreign direct investment (FII) and portfolio flows. Foreign Institutional Investments were allowed to invest in Indian financial markets; foreign institutional investment has been increased over the years except in 2008-09. In investments by Foreign Institutional Investment into India depends on stock market performance and it was quite high quite high in last few years, particularly since 2003-04. FIIs made a record investment in the Indian equity market in 2009, surpassing the 2007 inflows. In India, Developing countries have strengthened their stock market to attract foreign capital flows. Foreign Institutional Investment is a short-term investment by foreign institutions, in the financial markets of other countries. The institutions are generally mutual funds, investment companies, pension funds and insurance houses. FIIs strengthen and sustain the stock exchanges and provide a better price for the scripts but at the same time, heavy withdrawal of Foreign Institutional Investments will create an adverse effect in the share price and in the Indian rupee. In this paper FIIs flow into India it's the relationship between Foreign Institutional Investments and National Stock Exchange of India and the impact of Foreign Institutional Investments on National Stock Exchange are examined.

## II. REVIEW OF LITERATURE

**Anand Bansal and J.S. Pasricha (2009)** in their study the effect of market opening to FIIs on Indian financial exchange conduct. They experimentally dissect the difference in showcase return and instability after the passage of FIIs to Indian capital market and found that while there is no huge change in the Indian financial exchange normal returns; unpredictability is essentially decreased after India opened its securities exchange to outside speculators. In the following area we are examining the information sources and philosophy of the examination. **Gordon and Gupta, (2003)** in this study found causation running from FII inflows to return in BSE. The researcher found FIIs go about as market producers and book benefits by contributing when costs are low and selling when they are high. Consequently, there are opposing discoveries by different scientists with respect to the causal connection between FII net inflows and financial exchange capitalization and returns of BSE/NSE. In this manner, there is a need to examine whether FIIs are the reason or impact of securities exchange changes in India. **Stanley Morgan (2002)** in his study has examined that FIIs have played a very important role in building up India's forex reserves, which have empowered a large group of monetary changes. Furthermore, FIIs are currently significant financial specialists in the nation's monetary development notwithstanding slow local assumption. The Morgan Stanley report takes note of that FII unequivocally impact transient market developments during bear markets. Notwithstanding, the relationship among the profits and streams diminishes during buyer showcases as other market members raise their association decreasing the impact of FIIs. Research by Morgan Stanley shows that the relationship between's remote inflows and market returns is high during bear and debilitates with reinforcing value costs because of expanded interest by another player.

## III. OBJECTIVES OF THE STUDY

The present study has been set out to accomplish the following objectives.

- To analyse the relationship between Foreign Institutional Investment and National Stock Exchange in India.
- To determine the Foreign Institutional Investment and National Stock Exchange in India.

#### **IV. METHODOLOGY OF THE STUDY**

This study uses descriptive and analytical methods for explaining the main various concepts related to Foreign Institutional Investment and National Stock Exchange. The analysis is enhanced with the help of tables and figures wherever needed. This will greatly help the reader quickly comprehending the main findings of the study.

#### **V. SCOPE OF THE STUDY**

This research study will benefit for the foreign institutional investors. The research paper has analyzed the impact of foreign institutional investment and national stock Exchange (only) in India and the influence between the Foreign Institutional Investment and NSE, the FIIs flow into Indian stock markets. The study was taken 18 years into considered from 2000-01 to 2017-18. The period has been selected so that the flow of FII and Stock Market can be ascertained from the initial period FII investment was permitted in India. NSE is one of the biggest indices, so have the selected for the study.

#### **VI. SIGNIFICANCE OF THE STUDY**

The present study has an attempt to find out the impact of Foreign Institutional Investment on National Stock Exchange to emphasize the procedural aspect related into Foreign Institutional Investment in India. The study will also contain the trends of Foreign Institutional Investment in India and National Stock Exchange with the help of the FIIs data has an attempt made to determine the factors determining the flow of FIIs in India.

#### **VII. PERIOD OF THE STUDY**

The present study covers a period of 18 years, taking from 2000-01 to 2017-18.

#### **VIII. STATISTICAL ANALYSIS**

The research study purely secondary data was collected from various sources such as various literatures, books, journals, magazines; websites like [www.bseindia.com](http://www.bseindia.com), [www.sebi.gov.in](http://www.sebi.gov.in) and [nseindia.com](http://nseindia.com) were used.

Tools and Techniques Used

- Descriptive analysis
- Correlation

#### **IX. HYPOTHESIS OF THE STUDY**

1. Ho: There is no significant relationship between Capital Market Segment on National Stock Market and Foreign Institutional Investment

#### **X. LIMITATION OF THE STUDY**

The present study has the following limitation

- The study is confined into the foreign institutional investment and national stock exchange in India
- The study is limited to 18 years only from 2000-01 to 2017-18

- The study is based on NSE fact Book published by National Stock Exchange Limited and Foreign Institutional Investment

## XI. DATA ANALYSIS AND INTERPRETATION

The following table highlight the Business Growth of Capital Market Segments on National Stock Exchange in the year from 2000-01 to 2017-18

Table 1: Business Growth of Capital Market Segment on National Stock Exchange In the year from 2000-01 to 2017-18 (Rs.In.Crores)

Year	Market Capitalization	Traded Quantity	Trading Value	Average Daily Trading Value
2000-01	657,847	329,536	1,339,511	5,337
2001-02	636,861	278,408	513,168	2,078
2002-03	537,133	364,066	617,988	2,462
2003-04	1,120,976	713,301	1,099,535	4,329
2004-05	1,585,585	797,685	1,140,073	4,506
2005-06	2,813,202	844,486	1,569,554	6,253
2006-07	3,367,351	855,456	1,945,287	7,812
2007-08	4,858,123	1,498,469	3,551,037	14,148
2008-09	2,896,196	1,426,355	2,752,023	11,325
2009-10	6,009,174	2,215,530	4,138,023	16,959
2010-11	6,702,615	1,824,515	3,577,410	14,030
2011-12	6,096,517	1,616,978	2,810,893	11,289
2012-13	6,239,034	1,659,160	2,708,279	10,833
2013-14	7,277,720	1,533,716	2,808,488	11,189
2014-15	9,930,122	2,361,779	4,329,655	17,818
2015-16	9,310,471.5	2,201,771	4,236,982.9	17,153.8
2016-17	11,978,420.9	2,624,534	5,055,913.3	20,386.7
2017-18	14,044,151.5	3,771,836	7,234,825.7	29,409.9

Source: Computed from NSE fact book 2018

The above table 1 the Business Growth of Capital Market Segment on National Stock Exchange table 1 gives the detail of Market Capitalization, Traded Quantity, Trading Value and Average Daily Trading Value. The market capitalization is experience increasing trend in the study period from 2000-01 to 2017-18. The Traded Quantity was fluctuating trend. The Trading value is continuously increased 2017-18 trading value is 7234825. The Average Daily Trading Value is low in the 2003-04. Otherwise average daily trading value increased.

Table 2: The Year-Wise Performance Internet and Demat Trading of National Stock Exchange and FIIs Investment in the year from 2000-01 to 2017-18 (Rs.In.Crores)

Year	Internet Trading Value	Demat Trading Value	FIIs Investment in Equity
2000-01	7,287.82	1,264,337	10207
2001-02	8,138.83	512,866	8072
2002-03	15,360.79	617,984	2527.00
2003-04	37,945.89	1,099,534	39960.1
2004-05	81,033.82	1,140,078	44123.2
2005-06	1,83,428.52	1,569,558	48801.0
2006-07	337,524.0	1,945,287	25236.0
2007-08	668,399.0	3,551,038	53404.0
2008-09	692,789.0	2,752,023	-47706.0
2009-10	921,789.0	4,138,023	110121.0
2010-11	765,271.6	3,577,410	110121.0
2011-12	597,430.2	2,810,893	43738.2
2012-13	583,073.1	2,708,279	140033.0
2013-14	627,478.21	2,808,488	79709.7
2014-15	1,005,984.13	4,329,655	111333.0
2015-16	1,025,706	4,236,982.9	163362.6
2016-17	1,306,188	5,055,913.3	96874.9
2017-18	2,125,258	7,234,825.7	123653.5

Source: Computed from NSE fact book 2018

The above table 2 reveals that the Year-Wise performance Internet and Demat Trading of National Stock Exchange and FIIs Investment in the year from 2000-01 to 2017-18. The table gives the detail Internet Trading Value, Demat Trading Value and Foreign Institutional Investment in Equity. Internet Trading Value is good improvement compared between previous year Internet Trading Value. Demat trading value also increased year by year.

The following table highlights the descriptive analysis of Market Capitalization, Trading Value, Average Daily Trading Value, Internet Trading Value, Demat Trading Value and Foreign Institutional Investment in Equity

Table 3: Descriptive Analysis

	Mean	Std. Deviation	Skewness	Kurtosis
Market Capitalization	5336749.9944	4055426.62790	.636	-.355
Trading value	2857146.9944	1750423.70241	.767	.713
Daily Average Trading Value	11517.6889	7134.66628	.787	.735
Internet Trading	610560.3283	552290.45034	1.138	1.952
Demat Trading	2852954.1611	1754366.53179	.763	.694
FII	64642.8444	55590.71551	-.068	-.538

Source: Computed (SPSS 26)

Table 4: Correlation Analysis between Foreign Institutional Investment and market segments of National Stock Exchange

		Market Capitalization	Trading Value	Daily Average	Internet Trading	Demat Trading	FII
Market Capitalization	Pearson Correlation	1					
	Sig. (2-tailed)						
Trading Value	Pearson Correlation	.947**	1				
	Sig. (2-tailed)	.000					
Daily Average Trading Value	Pearson Correlation	.945**	1.000**	1			
	Sig. (2-tailed)	.000	.000				
Internet Trading	Pearson Correlation	.945**	.988**	.989**	1		
	Sig. (2-tailed)	.000	.000	.000			
Demat Trading	Pearson Correlation	.947**	1.000**	1.000**	.988**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
FII	Pearson Correlation	.758**	.669**	.664**	.627**	.670**	1
	Sig. (2-tailed)	.000	.002	.003	.005	.002	

Source: Computed (SPSS 26)

\*. Correlation is significant at the 0.01 level (2-tailed).

The above table 4 reveals that the correlation result show that there is a significant relationship between Foreign Institutional Investment and Capital Market segments of National Stock Exchange. The entire dependent variables (Market Capitalization, Trading value, Daily Average Trading Value, InternetTrading, DematTrading) is significantly positive correlated between foreign institutional investment and the capital market segments of National Stock Exchange.

## **XII. CONCLUSION**

Foreign institutional investment is good fluctuation in the time period from 2000-01 to 2017-18. There has been a correlation between foreign institutional investment in equity and capital market segments of National Stock Exchange in India. The relationship between the variables significant level at 1 %, there was a result proved moderate impact between the foreign institutional investment and capital market segments of national stock exchange. Therefore the null hypothesis is rejected the alternative hypothesis is accepted. The Foreign Institutional Investment is the positive impact on NSE.

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