



An analysis of trends of foreign institutional investors with special reference to its impact on selected indices of BSE

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Abstract: Foreign institutional investment is an important instrument in Indian financial system to attain growth for sustainable development. The two major options of foreign capital are foreign institutional investment (FII) and foreign direct investment (FDI). Since FDI will create and destroy local marketers with their latest technology, standard products and market dominance country like India must go for FII investment option to generate foreign capital in the form of Equity and debt investments. The attentive goal of growth and employment can achieved with FII option as the source will be used for development and control will be within India. Credit monitoring will be an effective feature of FII investment which can surge high portfolio of investment and working of the same for the larger objective establishment. FII options have multi tasking features like moderate cost, high frequency, transparency. reliability, larger time period, and positive involvement of RBI and SEBI. Researcher has tried to find out the trend of FII flow capital of in BSE stock market with due changes, challenges and positive intent for a growth in future. Researcher has tried to find the trend and impact of FII investment and changes taken place in the BSE stock market.

Key-Words: Foreign Institutional Investors, Bombay Stock Exchange, stock market indices, FII Debt Gross Sales

Introduction: Investment decisions are taken within the framework provided by a complex of financial institutions and intermediaries which together comprise the capital market. It has a vital role in promoting efficiency and growth. It intermediates the flow of funds from those who want to save a part of their income from those who want to invest in productive assets. It is this market which provides the mechanism for challenging current savings in to investment in productive facilities, that is, for allocating the country's capital resources among alternatives uses. In effect, the capital market provides an economy's link with the future, since current decisions regarding the allocation of capital resources are a major determining factor of tomorrow's output. The crucial role played by the capital market in shaping the pattern and growth of real output imparts a social significance to individual investment and portfolio decisions. The stock exchange play vital role for India as it provides finance form the public both short term and long term. The stock exchange is place where highly motivated investors invest their money in terms of trading in various securities and assist them to buy and sale securities in open ended market base with overall monitoring of the market. Stock exchange is a place where government

and private bodies trade their securities to general public under which listed companies invites investment from the general public. (shastri, 2018)

Review of Literature

Sanjana Juneja (2013)

This research was attempted to find the relationship between patterns of FII investment in to stock market indices. The objective of this research was to find trend analysis graphical presentation of relative data, net purchase, net sales of sensex, volubility of investment in correct market. The research was based on secondary data on published sources; research was based on correlation of FII investment and its impact on Indian stock market. The statistical tool used for analytical study was trend and line analysis of the data starting from 2007 to 2013. The research was based on sensex and indices of national stock exchanges. FII investments has made impact on buying pattern of investors. FII investment has made huge speculation in the market as price ragging. The research was based on sensex and indices of national stock exchanges. FII investments has made impact on buying pattern of investors. FII investment has made huge speculation in the market as price ragging. Increase in equity price and sudden increase in share price of listed companies in Indian stock market. FII investment is cheaper source of investment for Indian stock market. FII investment has made local investor's disinterest in investing in these securities. The market has found decline in the stock market due to there was no buying pattern and restrictions in the number of investment. (Juneja, Volume 2, December 2013)

Shruti jain & kriti swarup (2010)

The research paper was analysed to find the number of investment made in India securities market emphasizing huge portfolio of investment. Researcher has made efforts to find the scope and dynamics of FII investment in Indian stock market, many researchers have investigated the impact and changes in the market. This research paper has explored two key aspects are of stock exchange which is quality and nifty. The researcher has tried to take data of investment made in equity which is equity shareholder's are owner's of the companies. Nifty index is very sensitive in nature because local and global investors are investing money in large proportion in the market. The researcher has taken data of 50 securities of 23 different sectors period starting from 2005 to 2009 which was very dynamic and transforming period of investment. This research paper was based on research analysis tools like mean, median, mode, standard deviation. Minimum and maximum with chart presentation of data of the selected period. (Jain & Swarup, 2010)

Hemkant kulshrestha (2014)

This present research has explored the FII investment towards capital market changes. Indian capital market is volatile in nature due to number of investment are increasing every year showing positive growth in the market. The research objective was to determine behaviour and impact of FII investment in terms of FII purchase and FII sales towards Indian capital and India stock market. The study focuses on finding area's that will result in increase or decrease in portfolio investment of securities. The study based on BSE and NSE indices starting from 1991 to 2000. (Kuleshrestha, Volume 2, Issue 3, March 2014)

Objective and Research Methodology

The primary objective of the study is to identify flow of foreign institutional investors with special reference to selected indices of Bombay Stock Exchange. The said research is analytical in nature. Researcher has applied judgemental sampling methods for the study. The study was carried out by using secondary data which is collected from www.bseindia.com, www.ibef.org, www.moneycontrol.com and www.rbi.org websites and all relevant news paper, e media like times of India, economic times, NDTV profit, money control India etc. After collecting the data for data analysis, researcher has used SPSS 20 (Demo version). For the testing of hypothesis the researcher had applied Pearson linear co-relation test and also applied regression analysis using SPSS.

1. To study the scope and trading mechanism of Foreign Institutional investors in Indian stock market in terms of Net FII Purchase, Net FII sales and FII net investment.
2. To find the relationship between the FIIs Net investment pattern and selected stock market indices.
3. To study the trend of Net FIIs Debt investments in Indian stock market of selected indices of BSE.
4. To know the market trends due to FIIs activities inflow and outflow.
5. To identify the impact of FII Debt investment on BSE stock market indices.

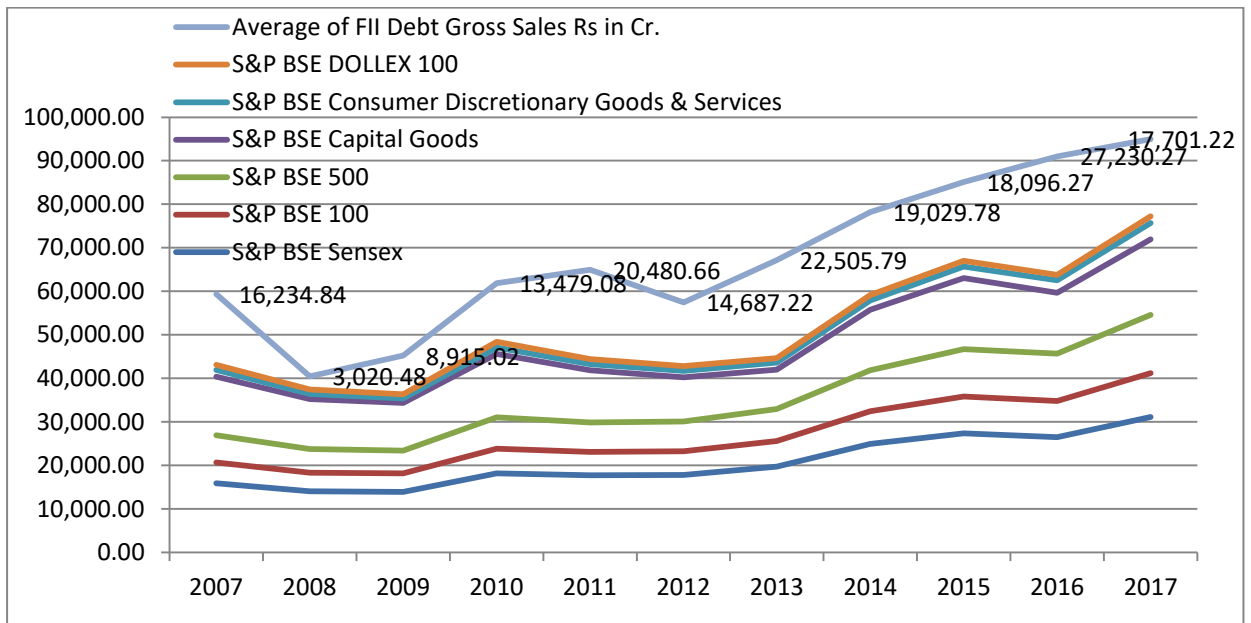
Data Analysis

Table No 1 Trend Analysis of Average mean of BSE indices and FII Debt Gross Sales

Year	S&P BSE Sensex	S&P BSE 100	S&P BSE 500	S&P BSE Capital Goods	S&P BSE Consumer Discretionary Goods & Services	S&P BSE DOLLEX 100	Average of FII Debt Gross Sales Rs in Cr.
2007	15,901.44	4,791.10	6,256.00	13,445.30	1,544.13	1,211.09	16,234.84
2008	14,028.76	4,269.53	5,459.85	11,512.20	1,148.82	1,031.50	3,020.48
2009	13,941.48	4,207.65	5,286.88	10,921.97	1,054.24	904.36	8,915.03
2010	18,207.56	5,608.45	7,255.37	14,539.88	1,500.97	1,268.81	13,479.08
2011	17,724.38	5,354.12	6,832.12	11,973.70	1,394.86	1,189.15	20,480.66
2012	17,834.85	5,425.11	6,870.38	10,115.66	1,491.42	1,052.34	14,687.22
2013	19,727.08	5,906.50	7,305.69	9,098.92	1,564.57	1,041.85	22,505.79
2014	24,941.00	7,503.93	9,434.75	13,873.31	2,128.25	1,270.54	19,029.78
2015	27,382.92	8,422.12	10,885.68	16,334.31	2,655.75	1,356.69	18,096.27
2016	26,505.69	8,314.91	10,902.85	13,909.41	2,880.49	1,278.49	27,230.27
2017	31,162.84	10,033.38	13,423.13	17,299.05	3,745.67	1,599.73	17,701.22

(Source: www.bseindia.com)

Chart No. 1 Trend Analysis of Average mean of BSE indices and FII Debt Gross Sales



The above table and chart 1 indicates comparative average mean of BSE indices and average mean of FII Debt Gross sales from 2007 to 2017 in India. The maximum value of S&P BSE SENSEX was found in the year 2017 with 31,162 Cr and the minimum value was found in the year 2009 with 13,941 Cr. The maximum value of S&P BSE 100 was found in the year 2017 with 10,033 Cr and the minimum value was found in the year 2009 with 4,207 Cr. The maximum value of S&P BSE 500 was found in the year 2017 with 13,423 Cr. The maximum value of S&P BSE Capital Goods was found in the year 2017 with 17,299 Cr and the minimum value was found in the year 2013 with 9,098 Cr. The maximum value of the S&P BSE Consumer Discretionary Goods & Services was found in the year 2017 with 3,745.67 Cr. And minimum value was found in the year 2009 with 1,054 Cr. The maximum value of S&P BSE DOLLEX 100 was found in the year 2017 with 1,599 Cr and the minimum value was found in the year 2009 with 904 Cr. The maximum value of FII Debt Gross sales was found in the year 2016 with 27,230 Cr and the minimum value was found in the year in 2008 with 3,020 Cr.

Regression Analysis

Regression line of Equity FII Gross Purchase = $a_1 (1313.546) + \beta_1 (SP\ BSE\ SENSEX\ Value)$ is significantly fitted.

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	SP BSE SENSEX	---	Enter

a. Dependent Variable: Equity FII Gross Purchase

b. All requested value entered

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.794 ^a	.630	.628	15676.34

a. Predictors: (Constant): SP BSE SENSEX

The above information describes that the co-efficient of determination R^2 is .630; it illustrates that model cover consistency. The co-efficient of co-relation R is 0.794^a it shows that outcomes and predicted value are strongly co-related. The adjusted R^2 can be negative and will always be less than or equal to R^2 , here adjusted R^2 is 0.628 that less than R^2 . The standard error of the estimate shows the value of 15676.34 which is comparatively high, confirms that definite model is good and enough to define the given relation in the model.

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	54492929266.657	1	54492929266.657	221.743	.000 ^b
Residual	31947200767.085	130	245747698.208		
Total	86440130033.742	131			

a. Dependent Variable: Equity FII Gross Purchase

b. Predictors: (Constant): SP BSE SENSEX

The above table gives an idea about the analysis of variance (ANOVA). The significant level is lower than 0.05 which is 0.000 which means that the variance of variable is separation into components between the groups is not deviated. (Hypothesis Rejected)

Co-Efficient^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1313.546	4947.028		.266	.791
SP BSE SENSEX	3.426	.230	.794	14.891	.000

a. Dependent Variable: Equity FII Gross Purchase

The above detail present significant value in the right column suggests the acceptance of the SP BSE SENSEX of selected BSE and FII INDICES. Here, high t and statistics and low standard error confirm the accuracy and fitness of these variables in the model. We can observe SP BSE SENSEX have positive impact on Equity FII Gross Purchase. It means if SP BSE SENSEX is increases by 1 unit, Equity FII Gross Purchase increases by 3.426 units. (shastri, 2018)

HYPOTHESIS OF THE STUDY

H₀₁: There is no significant relationship between Debt FII Gross Purchase with selected variables of Bombay Stock Exchange.

To test the above hypothesis the researcher had applied Pearson linear correlation test. Following are the result of hypothesis testing.

Variables	Test Applied	Correlation value	P value	Result
Debt FII Gross Purchase	Pearson co-relation	1	-	-
Debt FII Sales	Pearson co-relation	.552	.000	significant
Debt FII Net Investment	Pearson co-relation	.043	.632	Insignificant
SP BSE SENSEX Index	Pearson co-relation	.580	.000	significant
SP BSE SENSEX NEXT 50 Index	Pearson co-relation	.520	.000	significant
SP BSE 100 Index	Pearson co-relation	.566	.000	significant
SP BSE 200 Index	Pearson co-relation	.557	.000	significant
SP BSE 500 Index	Pearson co-relation	.554	.000	significant
SP BSE All Cap Index	Pearson co-relation	.552	.000	significant
SP BSE Auto Index	Pearson co-relation	.553	.000	significant
SP BSE BANKEX Index	Pearson co-relation	.561	.000	significant
SP BSE Basic Materials Index	Pearson co-relation	.456	.000	significant
SP BSE Capital Goods Index	Pearson co-relation	.387	.000	significant
SP BSE Consumer Discretionary Goods Services Index	Pearson co-relation	.513	.000	significant

The above table portrays Pearson linear Correlation for Debt FII Gross Purchase with selected variables of Bombay Stock Exchange. Above table shows correlation (r) and p value. We can observe that for Debt FII Net Investment p value is greater than 0.05, we can reject the null hypothesis. It means there is no significant relationship between Debt FII Gross Purchase and Equity FII Net Investment, whereas there is significant relationship between Debt FII Gross Purchase and other selected variables of Bombay stock exchange.

Conclusion

The growth and development in developing country like India is based on the performance of Indian financial system considering investment for economic growth of India. We can observe SP BSE SENSEX have positive impact on Debt FII Gross

Sales. BSE stock market shows that FII investment has high portfolio impact in the selected period of the study. The present study shows that FII Debt sales investment has direct relationship with selected indices of BSE stock market in recent years.

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