



# The Impact Of Fiis (Foreign Institutional Investments) On The Economy Of India; A Comprehensive Analysis Of Its Relationship With Indian Capital Markets

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## Abstract

Foreign Institutional Investors (FIIs) Are Institutional Investors Who Invest In Assets From A Different Country Than Where Their Organizations Are Based. Sebi, The Market Regulator, Has Registered Over 1450 International Institutional Investors. Foreign Institutional Investor (FII) Refers To An Institution Created Or Incorporated Outside India That Intended To Invest In Securities In India. Foreign Institutional Investors (FIIs) Have Become Important Participants In India's Stock Market, And Their Increasing Involvement Is A Key Aspect Of The Growth Of Indian Stock Markets. It Has Been Suggested That Emerging Nations Should Bolster Their Stock Markets In Order To Enable Foreign Capital Flows. Because Of This, The Indian Stock Markets Have Experienced Unprecedented Growth And Volatility, Which Has Prompted Research On The Relationship Between FIIs And Stock Marketvolatility. Therefore; It Is A Fascinating Subject To Determine The Role Offoreigninstitutional Investors In India's Capital Markets. This Research Analyzes The Influence Fii On The Stock Market Of India Through Correlation And Regression Analysis. The Sensex And Bse Are Regarded As Stock Market Representations Since They Are The Most Widely Used Indicators In India. The Study Concentrates On Employing Daily Data On Bse Sensex And Fii Activities Gathered Throughout A Decade, From January 1, 2014, To December 31, 2024. It Shows A Favorable Association. The Relationship between Foreign Institutional Investors' Activities And Its Impact On Stock Market Of The India

**Keywords:** Foreign Institutional Investors (Fiis), Stock Market Of India, Bombay Stock Exchange Sensex (Bse).

## **Introduction**

Capital Is Significantly Moving From Developed Nations To Emerging Markets Through Various Investment Instruments. India, As A Developing Economy, Boasts A Burgeoning Market. It Is An Interesting Destination For Foreign Institutional Shareholders (Fiis). Foreign Institutional Investments Are Defined As Shareholders Or Investment Funds That Are Registered Outside Of The Country In Which They Invest.

Institutional Investors Include Insurance Firms, Hedge Fund Managers, Pension Plans, And Mutual Funds Institutional Investors Include Entities Like Insurance Companies, Hedge Funds, Pension Funds, And Mutual Funds Plans In India, Fiis Are Overseas Organizations That Invest In The Indian Nation's Securities Markets. Foreign Investments Are Crucial For The Long-Term Economic Progress Of Emerging Economies Like India By Enhancing The Availability Of Capital Within The Domestic Market, Narrowing The Gap Between Savings And Investments, Boosting Productivity, And Supplying Foreign Exchange. The Rise In Foreign Investments Injects Liquidity Into The Capital Market And Elevates The Price-Earnings Ratios, Which In Turn Lowers The Cost Of Capital. Moreover, These Investments Lead To Improvements In The Stock Market, Including The Expansion Of Securities Trading, Increased Market Depth And Breadth, And The More Efficient Pricing Of Stocks These Investments Bring Various Additional Advantages, Including The Sharing Of Knowledge, Technology, And Other Institutional Benefits. However, They Also Present Numerous Risks To The Domestic Economic And Financial Systems Of The Host Economy, Such As Inflation, A Rise In The Exchange Rate, Economic Overheating, And The Potential For Abrupt Capital Withdrawal. Therefore, It Is Crucial For Emerging Economies To Develop Appropriate Policies To Regulate The Influx Of Foreign Institutional Investors (Fiis).

### **Foreign Institutional Investments In India**

Foreign Investments Are Recognized As Critical For Nations, Particularly Growing Economies Such As India. Foreign Portfolios Include Foreign Institutional Investors, Qualify Foreign Investor, And Undercounts. Fiis Are Large Investment Institutions Such As Pension Plans, Mutual Funds Plans, And Large Insurances Companies. India's Two Of Domiciliary And Overseas Funding Are Critical To The Country's Growth. India Is Often Considered To Be Among Of The Globe's Most Rapidly Developing Nation's Economy & A Pioneer For Attracting Foreign Investment.

India's Equities Market Provides Numerous Investment Options For Both Domestic And International Institutional Investors. Since Its Inception In The Year 1992, India's Investments From Foreign Investors Have Been Largely Positive.

From March 2009 To November 2010, Foreign Institutional Investors (Fiis) Invested A Staggering Us\$ 60.31 Billion In Indian Equities, Helping To Elevate The National Stock Exchange Fifty (Nifty) Index From Approximately 2,500 To 6,300. Likewise, During The Covid-19 Pandemic, As National Stock Exchange Fifty(Nifty) Rebounded And Soared With Approx Eight Thousands In 2020 April To Eighteen Thousand Six Hundred By 2021october , Fiis Injected Us\$ 38 Billion Into The Indian Markets. Additionally, Foreign Portfolio Investors (Fpis) Collectively Injected Us Dollars Twenty Billion Between From March Up To August 2023, Previous Turning Into Total Profit Recovery In September Within Third Biggest Share Market Of Asia. To The Fiscal Year 2024, Fii Investments Reached Rs. 17.27 Lakh Crore, Equivalent To Us\$ 206.7 Billion. Furthermore, The Government Has Relaxed Regulations Concerning Foreign Capital, Further Bolstering India's Standing In Global Markets.

Financial Year	INR crores												Total for the FY	Cumulative total (upto the FY)
	Equity	Debt			Hybrid	Mutual Funds					Alternative Investment Funds(AIFs)			
	Equity	Debt-General Limit	Debt-VRR	Debt-FAR	Hybrid	Equity	Debt	Hybrid	Solution Oriented	Other	AIF			
1992-93	13	0	0	0	0	0	0	0	0	0	0	0	13	13
1993-94	5127	0	0	0	0	0	0	0	0	0	0	0	5127	5140
1994-95	4796	0	0	0	0	0	0	0	0	0	0	0	4796	9936
1995-96	6942	0	0	0	0	0	0	0	0	0	0	0	6942	16878
1996-97	8546	29	0	0	0	0	0	0	0	0	0	0	8575	25453
1997-98	5267	691	0	0	0	0	0	0	0	0	0	0	5958	31411
1998-99	29973	-147	0	0	0	0	0	0	0	0	0	0	29826	61237
1999-00	9669	452	0	0	0	0	0	0	0	0	0	0	10121	71358
2000-01	10207	-273	0	0	0	0	0	0	0	0	0	0	9934	81292
2001-02	8072	690	0	0	0	0	0	0	0	0	0	0	8762	90054
2002-03	2528	162	0	0	0	0	0	0	0	0	0	0	2690	92744
2003-04	39959	5805	0	0	0	0	0	0	0	0	0	0	45764	138508
2004-05	44121	1759	0	0	0	0	0	0	0	0	0	0	45880	184388
2005-06	48800	-7334	0	0	0	0	0	0	0	0	0	0	41466	225854
2006-07	25236	5605	0	0	0	0	0	0	0	0	0	0	30841	256695
2007-08	53404	12775	0	0	0	0	0	0	0	0	0	0	66179	322874
2008-09	-47706	1895	0	0	0	0	0	0	0	0	0	0	-45811	277063
2009-10	30877	20047	0	0	0	0	0	0	0	0	0	0	50924	327987
2010-11	110121	36317	0	0	0	0	0	0	0	0	0	0	146438	474425
2011-12	43738	49988	0	0	0	0	0	0	0	0	0	0	93726	568151
2012-13	140031	28334	0	0	0	0	0	0	0	0	0	0	168365	736516
2013-14	79709	-28059	0	0	0	0	0	0	0	0	0	0	51650	788166
2014-15	111333	166127	0	0	0	0	0	0	0	0	0	0	277462	1065628
2015-16	-14172	-4004	0	0	0	0	0	0	0	0	0	0	-18176	1047452
2016-17	55703	-7292	0	0	0	0	0	0	0	0	0	0	48411	1095863
2017-18	25635	119036	0	0	11	0	0	0	0	0	0	0	144682	1240545
2018-19	-88	-42357	0	0	3515	0	0	0	0	0	0	0	-38930	1201615
2019-20	6153	-48710	7331	0	7698	0	0	0	0	0	0	0	-27528	1174087
2020-21	274032	-50443	33265	0	10247	0	0	0	0	0	0	0	267101	1441188
2021-22	-140010	1628	12642	0	3498	0	0	0	0	0	0	0	-122242	1318946
2022-23	-37632	-8937	5814	0	-181	0	0	0	0	0	0	0	-40936	1278010
2023-24	208212	121059	-2972	0	12767	0	0	0	0	0	0	0	339066	1617076
2024-25	-95836	52746	6449	53004	4746	-627	740	41	0	421	0	0	21684	1638760
Total	1052760	427589	62529	53004	42301	-627	740	41	0	421	0	0	1638760	

\*\* up to 07 Feb 2025

Source (<https://www.fpi.nsdl.co.in/web/reports/yearwise.aspx?Rpttype=5>)

## Bombay Stock Exchange Sensex Of Capital Market Of India

Bse (Previously Known As Bombay Stock Exchange) Was Established In 1875 And Is First Of Asia And The Most Rapid Stock Market In The Entire Globe, With A Reaction Time Of Six Microseconds And

It Is Also India's Only Top Trade Networks During The Previous 143 Years, The Bombay Stock Exchange Has Aided The Expansion Of Indian Economic Industry By Providing A Productive Financial Capital Marking Up Mechanism. The Bourse, Also Branded As Bombay Stock Exchange , Was Founded As 'The The Native Share And Stock Brokers' Association Was Founded In 1875. In The Year 2017, Bse Became First Publicly Traded Stock Exchange Of India. The Bse Today Provides A Transparent And Efficient Market For Trading Mutual Funds, Equities, Currency, Bonds, And Futures Securities. The Largest Sme Platform In India, Bse Sme, Has Listed More Than 250 Businesses And Is Still Expanding Steadily. Bse Star Mf Is India's Largest Online Mutual Fund Platform Which Process Over 27 Lakh Transactions Per Month And Adds Almost 2 Lakh New Sips Ever Month. Bse And Bse Bond, The Open And Effective Electronic Book Mechanism Procedure For Private Placement Of Debt Instruments, Is The Market Leader, Having Raised More Than Rs 2.09 Lakh Billion Over 530 Issuances (F.Y. 2017-2018). Bse Has Been Given Approval By The Securities And Exchange Board Of India (Sebi) For The Administration And Supervision Of Investment Advisers (Ias) Under Regulation Sebi (Investment Advisers) Regulation 2013 And Research Analysts (Ras) Under Sebi Regulation (Research Analysts) Regulations, 2014 From July 25, 2024.

## Literature Review

Prior To A Sharp Decline In Share Prices Due To The During The Covid 2019 Epidemic, The Stock Market Reached Its Peak On 20of February, 2020. Since Then, The Globe Has Seen A Transformation That Has Affected Our Economies, Our Lives, And The Success Of Our Companies; The Fluctuations In Share Prices Are A Reflection Of This Evolving Process. While Some Businesses Are Moving Forward At Unprecedented Pace Due To The Acceleration Of Underlying Trends, Others Are Facing Headwinds That Have Turned Into Hurricanes. The Stock Market's Financial Performance Is Predicted To Worsen During Crisis-Type Events Like Pandemics Because Of Investors' Pessimistic Feelings, Decreased Disposable Income, And Public Concerns About The Economy's Slowing Growth. These Effects Are Reflected In Lower Returns And Decreased Liquidity In The Overall Market Benchmark. However, Due To Variations In Industry And Responses To Macroeconomic Stimuli, Sectoral Performance May Deviate From The Benchmark Index. As A Result, Several Industries May Exhibit Contrarian Impacts Or Momentum. The Research Examines The Concept That The Covid-19 Epidemic Has Caused A Decline In The Stock Market Performance Of Important Sectors Of The Indian Economy, Based On Theoretical Foundations. Additionally, Performance Analysis Shows Which Sectors Adhere To Sensex And Nifty Movements In Accordance With These Dropping Tendencies Of The Indian Stock Market, Noting That The Decline Is More Pronounced After The First Week Of March 2020. They Also Demonstrated How The Estimated 2.81 Lakh Crore Loss Caboth The Bse Bombay Stock exchange And The Nse National Stock Exchange Nse Observed 23% Decline In The Market Capitalization Of Listed Companies In March 2020. In March 2020, Stock Prices On The Financial Market Generally Continued To Fall. Singh And Neog (2020) Cited Tused Almost Total Disruption In The Banking, Real Estate, And Financial Sectors. Alam Et Al. (2020) Looked Into How The Covid-19 Lockout Affected The Indian Stock Market.

Foreign Institutional Investor, (Fiis) Withdrew \$10 Billion From India's Stock Market During Year 2025's First 30 Days, Resulting In Huge Withdrawals. Experts Recommend Investing In Excellent Large-Cap Equities, Gold, Silver, And Debt. Geopolitical Threats And The Movements Of Foreign Institutional Investors Signal That Market Volatility Will Persist. The Second Half Of Calendar Year 2024 Demonstrated The Volatility And Selectivity Of Fii Investments In Indian Equities.

While Their Action Highlighted Macroeconomic Concerns, It Also Revealed Potential In Niche And High-Growth Markets. For Comparison, Fiis Became Net Sellers In October And December 2024, Withdrawing Considerable Amounts. In December Alone, Fiis Offloaded Shares Worth Around Rs 198,480 Million (M), Indicating A Shift In Sentiment Due To Global Headwinds And Domestic Causes. Fiis Remained Cautious Due To The Premium That Indian Shares Trade At Compared To Other Emerging Markets, Stubbornly High Inflation And Weak Economic Indicators, Global Geopolitical Tensions, And Local Policy Uncertainties. According To The Analysis, Fii Holdings In Indian Shares Have Fallen To 16% In 2024, Down From A Peak Of 20% During The Fiscal Year 2014-20. Rising Bond Yields In The United States Have Made Us Assets More Attractive, Decreasing The Appeal Of Emerging Countries Such As India. Despite These Worries, India Has Attracted Net Fii Inflows In Seven Of The Previous Ten Years, Exceeding Other Emerging Markets. However, In Recent Months, Indian Shares Have Faced Pressure From Reasons Such As China's Economic Stimulus, Rising Us Bond Yields, And High Local Market Valuations.

## The Study's Objectives

1. Identify A Relationship Connecting The Sensex Of The Bse And The Fiis
2. Find Out The Number Of Fiis Within India And Their Investments In The Sensex Bse.
3. Understand The Motion Of The The Stock Market In Relation To Fiis With.

## Hypotheses

Ho : There Is None Of Substantial Correlation Among Bse Sensex And Fii Movement In The Capital Market Of India.

H1 : There Is Substantial Correlation Among Bse Sensex And Fii Scheme In The Indian Capital Market.

## Research Methodology

The Research Being Conducted Is Describing In Nature. The Sample Includes Bse Sensex And Fiis, With The Additional Information Secondary Data Sourced From The Bse's Official Web Page. We Used Financial Year Bse Sensex Data To Determine The Absolute Change. Investment Amounts Are Determined Using The Same Investment Amount Is A More Accurate Representation Of A Scenario Than Absolute Change Since It Compares The Bse Sensex Both Variables. These Parameters Are Commonly Employed As Reliable Indications For Repeatable Measurements With Predictable Results. It Expresses A Variable's Change In Comparison To Its Beginning Value. We Analyzed 10 Financial Year Data And Compared It To Fii Net Investments To Determine The Impact Of Fii's Movment On The Bse Sensex, Which Served As My Population Size. The Study Was Conducted During A Ten-Year Period, From 2014-2015 To 2023-2024. Single Sensex Of The Bse And Fii Holdings Served As Examples Of Components. The Data Collected Using The Purposive Sampling Approach.

## Tools For Data Analysis

The "Pearson Correlation" Was Employed For Real Statistical Material, Along With Providing An Accurate And Useful Explanation Of The A Straight Line Connection Between Two Independent Variables. The Variables To Consider Are The Bombay Stock Exchange Sensex And Fii Investment.

## Result And Discussions

Ho1: There Is Non Substantial Correlation Between Bse Sensex And Fii Movement In The Market Of Indian Capital.

Financial Year	Fpi Investment Inr Crores					Total
	Equity	Debt	Debt-Vrr	Hybrid		
2023-2024	208211.24	121058.84	-2972.37	12766.9		339064.62
2022-2023	-37631.57	-8937.74	5814.04	-181.71		-40936.98
2021-2022	-140009.6	1628.53	12642.83	3498.41		-122239.83
2020-2021	274031.96	-50443.62	33264.56	10247.1		267099.99
2019-2020	6152.26	-48710.23	7331.17	7697.63		-27529.17

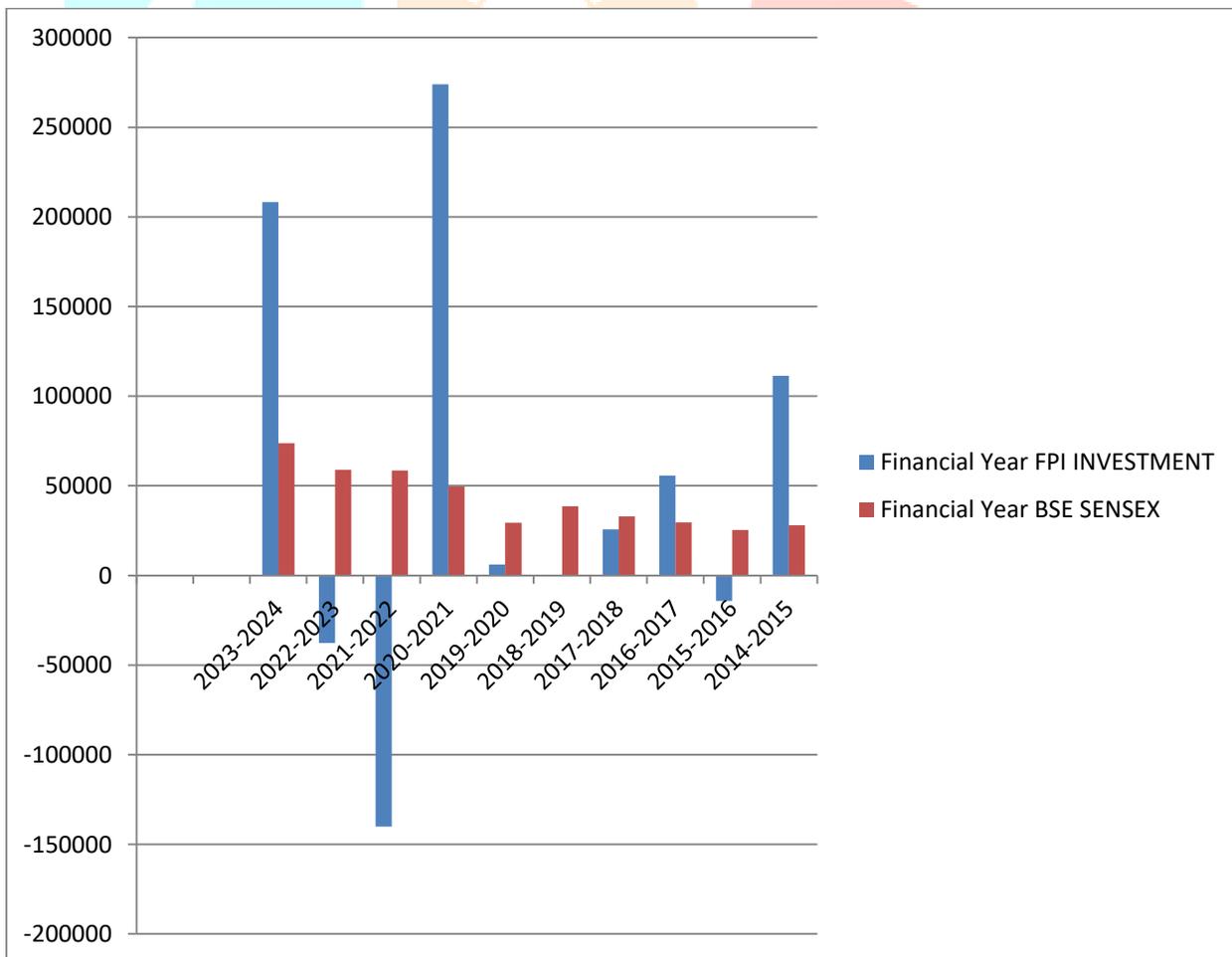
2018-2019	-87.73	- 42355.97	0	3514. 24	- 38929.4 6
2017-2018	25634.19	119035.7 4	0	10.29	144680. 22
2016-2017	55702.67	-7291.64	0	0	48411.0 3
2015-2016	- 14171.57	-4003.76	0	0	- 18175.3 3
2014-2015	111332.5 9	166127.0 9	0	0	277459. 68

<https://Www.Cdslindia.Com/Publications/Fiifpiinvstmntfnyrda.ta.aspx>

Indecies Bse Sensex Period : Year 2014 To Year 2025						
Year	High	Low	Close	Pe Ratio	Pb Ratio	Dividen d Yield
<a href="#">2023</a> - <a href="#">2024</a>	74245.1 7	58793.0 8	73651.3 5	24.1	3.51	1.21
<a href="#">2022</a> - <a href="#">2023</a>	63583.0 7	50921.2 2	58991.5 2	22.91	3.32	1.2
<a href="#">2021</a> - <a href="#">2022</a>	62245.4 3	47204.5	58568.5 1	29.53	3.51	0.94
<a href="#">2020</a> - <a href="#">2021</a>	52516.7 6	27500.7 9	49509.1 5	28.1	2.92	0.98
<a href="#">2019</a> - <a href="#">2020</a>	42273.8 7	25638.9	29468.4 9	26.44	2.95	1.18
<a href="#">2018</a> - <a href="#">2019</a>	38989.6 5	32972.5 6	38672.9 1	23.71	3.03	1.19
<a href="#">2017</a> - <a href="#">2018</a>	36443.9 8	29241.4 8	32968.6 8	23.78	3.05	1.22
<a href="#">2016</a> - <a href="#">2017</a>	29824.6 2	24523.2	29620.5	20.62	2.84	1.43
<a href="#">2015</a> - <a href="#">2016</a>	29094.6 1	22494.6 1	25341.8 6	20.18	2.85	1.39
<a href="#">2014</a> - <a href="#">2015</a>	30024.7 4	22197.5 1	27957.4 9	18.73	2.94	1.29

<https://www.bseindia.com/indices/indexarchivedata.html>

Financial Year	Fpi Investment	Bse Sensex
	Inr Corores	Close
2023-2024	208211.24	73651.35
2022-2023	-37631.57	58991.52
2021-2022	-140009.6	58568.51
2020-2021	274031.96	49509.15
2019-2020	6152.26	29468.49
2018-2019	-87.73	38672.91
2017-2018	25634.19	32968.68
2016-2017	55702.67	29620.5
2015-2016	-14171.57	25341.86
2014-2015	111332.59	27957.49



Pearson Correlation Coefficient Relation:-

( <https://www.socscistatistics.com/tests/Pearson/Default2.aspx>)

The Value Of R Is: 0.1725.

Despite Having A Positive Correlation, The Relationship Between Two Variables Is Weak.

Pearson Correlation Obtained R	Resultant Relation Significance	Coefficient Of Determination Value Of $R^2$
0.1725	Significantly Weak	.0298

Tables Show A Statistically No Significant Association Among Bse Sensex Change And Fii Involvement In The Market Of Indian Capital. Therefore, The H1:2 Hypotheses Is Turned Down.

### Conclusion

Fii's Had Sold Rs. -40936.98 Crore In 2022-2023, Rs.-122239.83 Crore In 2021-2022, Rs. -38929.46 Crore In 2018-2019, Rs.-18175.33 In 2015-2016 Rs.60,859 Crore (\$7 Billion) In Indian Equities Until January 22, 2025. High Valuations, A Falling Rupee, And A Slowdown In Corporate Sales Growth Are The Primary Reasons For The Continued Selling Of Indian Shares. Fii's Are Transferring Their Assets To The United States Over Concerns About The Indian Market. Foreign Institutional Investors (Fii's) Continuing To Sell Indian Stocks Throughout January. At The Time Of Writing This, The Fii's Had Net Sold Stocks Worth ₹60,859 Crore Or \$7 Billion During The Month. This Raises Several Interesting Points.

However, Based On My Observations Of The Bse Sensex Over The Last 10 Years, It Is Not Declining As Dramatically.

From 26000 To 78000 Points, During The Previous Decades, The Bse Sensex Has Experienced A Broad Variety Of Performances Reflecting Global And Economic Issues.

So, Fii's Investment Pattern Is Not Much Affecting Bse Sensex So Much.

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