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**ANALYSIS OF FOREIGN INSTITUTIONAL
INVESTMENTS ON STOCK MARKET – IN TERMS
OF INDIAN EVIDENCE**

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Analysis of Foreign Institutional Investments on Stock Market – In Terms Of Indian Evidence

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Abstract – In this paper we present about the investment made by FII's in any capital market. It has snatched the consideration of specialists to distinguish the relationship between the capital market exhibition and net inflow of FII's. The present study is centered to test the relationship in the development of investment by foreign institutional gurus and development of Indian stock market.

Keywords: Investment, Stock Market, Institutional

INTRODUCTION

Indian economy has remained much shut towards the foreign investments yet it was generally acknowledged by the administration throughout 1990s that the foreign investment can play noteworthy part to push financial development. It was the time when the wave of budgetary changes additionally touched the capital market. The goal was all clear, i.e., to secure the beat of development in all financial exercises. At the starting phases of changes as to FII's the credit might be given to the New Industrial Policy, 1991 encircled by the administration to keep tabs on the criticalness of foreign guide investment to expand innovative redesigning in a globalized planet. To give further prod to foreign investment, Government of India allowed the portfolio investment made by foreign institutional speculators in India. There is tremendous growth in the portfolio investments made by foreign institutional investors. Table given below has shown the data with regard to this. The data given in the table has been obtained from the annual report published by Security Exchange Board of India.

Period	Purchases (₹ mn.)	Sales (₹ mn.)	Net Investment (₹ mn.)	Net Investment (US \$ mn.)	Cumulative Net Investment (US \$ mn.)
2010-11	748,306	641,164	99,342	2,153	15,196
2011-12	499,199	411,650	87,549	1,846	15,242
2012-13	470,601	443,710	26,891	562	15,804
2013-14	1,448,575	996,940	457,635	9,949	25,754
2014-15	2,148,530	1,710,730	438,800	10,173	35,927
2015-16	1,448,780	1,855,120	-394,660	-8,334	45,261
2016-17	5,285,090	4,896,480	388,610	8,709	51,967
2017-18	9,481,196	8,189,304	1,096,092	16,080	68,046
2018-19	6,143,010	6,603,920	-460,910	-11,356	36,630
2019-20	8,464,400	7,837,810	626,590	14,253	49,333
2020-21	9,923,990	8,461,810	1,464,380	32,226	121,561
Apr-11	767,320	695,160	72,160	1,616	123,175
May-11	720,460	813,220	-92,760	-940	122,237
Jun-11	606,240	757,410	-151,170	-3,083	119,154
Jul-11	772,180	663,160	109,020	2,399	121,553
Aug-11	693,900	774,930	-81,030	-1,766	119,387
Sep-11	648,690	687,350	-38,660	-842	118,545
Apr-Sep 2011	4,440,790	4,173,910	266,880	2,942	123,648

The foreign institutional investments incorporate abroad annuity stores, common stores, investment trusts, possession administration associations,

candidate associations, banks, institutional portfolio bosses, college reserves, enrichments, establishments, magnanimous trusts, altruistic social orders, a trustee or force of law advocate holder fused or created outside India proposing to make restrictive investments in the interest of an expansive based store. In India, Foreign institutional investment is usually made on fleeting premise and in a large portion of the cases the investment by foreign institutional speculators is channelized by monetary markets.

REVIEW OF LITERATURE

Corporate finance theory (e.g., Shleifer and Vishny) has long suggested that institutional investors can actively intervene in their investee firms to effect meaningful changes and create value. Further, Gillan and Starks (2003) argues that foreign institutional investors, due to their independent positions and lack of conflicts of interest, could play a crucial role in prompting governance changes in local firms. Aggarwal et al. (2005) formally tests this idea and shows that international institutional investment leads to improved governance practices across countries. If foreign institutional investors seek to improve governance in local firms to achieve higher returns on their investments, it is possible they also use such ability to influence firms' financial reporting, especially since improvements in accounting comparability may directly increase firm value. Armstrong et al. (2012) shows that board characteristics significantly affect a firm's financial reporting properties. This suggests that U.S. institutional investors can potentially change a local investee's accounting practice by affecting its choice of board members. Further, if U.S. institutional investors make efforts to appoint U.S. directors to the boards of their investees with the goal of intervening in their accounting practices, these efforts are likely to

be most effective if the newly appointed board member(s) serves on the audit committee. Sivakumar (2003) has further examined the net streams of foreign institutional investment over a time of time and archived different confirms on what amount of the Indian stock market is stabilized or destabilized due the inflows and surges of Foreign Institutional investments. Kumar (2006) reported that the development in Indian stock market might be clarified with the heading of trusts glided by foreign institutional gurus. Hence spurred by some fascinating and time fluctuating confirmations with respect to the relationship between FII's and stock market exhibition, the present study is ordained to inspect the relationship of FII's and exhibition of Indian stock market.

CAPITAL MARKET OF INDIA

The capital market of India was slowly opened for foreign institutional gurus. They were permitted to put resources into all exchanged securities on the essential market and auxiliary markets counting different fiscal items, viz., offers, debentures and warrants and so forth. India has dependably been an alluring terminus for foreign gurus as Indian economy has dependably been a great entertainer around other Asian nations. Be that as it may whenever an emergency has been distinguished on Indian capital market or a fiscal emergency happening at planet level, it has dependably swayed the capital streams by portfolio speculators. Subsequently ceaseless proofs are acquired via specialists showing the volatility movements on the stock market because of the conduct of foreign institutional gurus.

foreign institutional investors in shaping their investee firms' financial reporting comparability.

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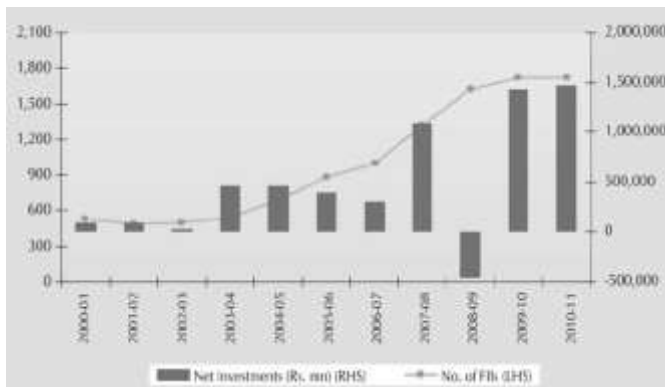


Figure: Number of FII's and Net Investments

CONCLUSION:

In this paper we found that the investment made by FII's in any capital market has gotten the consideration of specialists to recognize the relationship between the capital market exhibition and net inflow of FII's. Comparability is one of the essential attributes of financial reporting that facilitates investment decision making and allocation of capital. However, the capital market determinants of comparability are not well understood. In this study, we examine the role of