Chapter 6 Summaries, Findings and Conclusion

6.1 Introduction

The present study entitled "Role Of Foreign Institutional Investors [FIIs] In Indian Stock Market". Researcher has investigated the effect of FIIs activities; purchase, sales and net on Indian stock index; BSE SENSEX and NIFTY. Researcher has employed the data analysis and hypothesis tested by statistic tools, researcher has made a finding and suggestion for the future researcher.

This chapter deals with brief summary of the research study, findings and suggestions which make through the deep study. At last he made conclusion of the overall research study and guide for future perspectives of researchers. Further, the chapter presents suggestion based on the outcomes of the study and indicated further study areas for future researcher.

6.2 Rationale And Entail Of The Study:

Indian stock market is regarded on parity with the developed market as so many developments have taken place in the stock market arena during the last decade. The important feature of the Indian stock market is growing dominance of foreign institutional investors. Last one decade, FIIs; foreign institutional investors investments play vital role to bull and bear circumstances of Indian stock market. So, this is main objectives of this research study which employed and investigated result by the researcher. The studies confer a very apparent depiction of the impact of foreign institutional investors on Indian stock indices. It also describes the market trends due to FIIs inflow and outflow. Moreover, it would be beneficial to gain knowledge regarding foreign institutional investments their process of registration and their impact on Indian stock market and different industrial sectors.

Foreign Institutional Investors are said to be the driver of the market. Those are the one cause behind the rise and fall of SENSEX. FII investment trends tell us about many effects that the Indian market is experiencing. The companies in which they investment are getting overvalued. Whenever FII find any trouble they withdraw their investments. The empirical investigation of the course of causation between FIIs activities and Indian stock market performance over the time period year 2003 to year 2012 for 10 years has
revealed that FIIs activities are caused by rather than causing the Indian stock indexes. Researcher has used the BSE SENSEX and NIFTY nationalised index for study and investigated the effect of FIIs investments on volatility of BSE SENSEX and NIFTY for the year 2003 to year 2012. Moreover, researcher exercised year average of BSE SENSEX and NIFTY Indian stock index and average FIIs purchase, sales, net investments for 10 years for direction to accomplish objectives; to study the scope and trading mechanism of Foreign Institutional investors in India, to find the relationship between the FIIs equity investment pattern and Indian stock indices, to study the trend of FIIs investments in India stock market and BSE & NSE Indices, to discover the role of foreign institutional investors in Indian stock market.

6.3 Methodologies Applied

Researcher defines various existing literatures related with the study and problems of the title, various objective frames by the researcher, which leads to research phenomenon. The study is based of the secondary data and it collected from secondary market. There are two type of data used for the study first FIIs investments as independent variable and Indian stock indexes BSE SENSEX and NIFTY as dependent variables. In data classification, researcher has endeavored 10 years average of FIIs investments and yearly average of BSE SENSEX and NIFTY for the year 2003 to year 2012.

Researcher employed Descriptive statistical tools like as Mean, Median, and Coefficient of variance, Skewness, kurtosis, Standard Deviation, standard error, range, etc for fundamental analysis of the research objectives. Descriptive statistical tools come cross variability and recital of FIIs investments and BSE SENSEX and NIFTY for the year 10 years

Coefficient of correlation and coefficient of determination employed in the variables for purpose of measure the effect of independent variables FIIs investments on dependent variables Indian stock indexes BSE SENSEX and NIFTY and study the association with independent and dependent variables.

Regression residual model exploited to examine cause and effect relationship between FIIs investment and Indian stock indexes BSE SENSEX and NIFTY. The regression analysis predicts the performance of Indian stock index SENSEX and nifty owing to FIIs purchase trend for the year 2003 to year 2012.
There is hypothesis developed and tested in order to achieve objectives toward role of FIIs on Indian stock market. Researcher has applied t-test for significant predictive variables FIIs behavior on Indian stock index. t-test used coefficient of determination zero as null hypothesis, in other word, null hypothesis that populations slope is zero which shows that there is no relationship between of FIIs investments and BSE SENSEX / NIFTY.

F-test established the overall significance of the regression model. This F-test determines endure regression coefficients are different from zero. Regression provides only one predictor and only one regression coefficient test. The regression coefficient is the slop of the regression line, the F-test for overall significance is testing the same thing as the t-test in regression.

Consequently, methodologies applied in this research study to investigates the main objectives that is cause of volatility in Indian stock indexes; BSE SENSEX and NIFTY owing to effect of FIIs investments in Indian stock market. There is a suitable result found with proper methodologies employed in this research study.

6.4 Findings of study

Finding of study leads to accomplish the objectives of the research study. In this present research study researcher has defined objectives and formulated hypothesis for objectives. Chapter fourth and fifth consist with analysis and interpretation of variables through the descriptive statistical tools. F-test and t-test has used for hypothesis testing. Following finding obtained from this research study.

First finding, FIIs investments activities; FIIs purchases, FIIs sales, FIIs net investments having positive upward trend for last decade as same way sensitive Indian stock market index BSE SENSEX and NIFTY50 having same positive trend for last decade. So, both of variables have optimistic trend.

Second finding, Indian stock market index BSE SENSEX and NIFTY50 and FIIs purchase having high degree of correlation with each other. So performance of Indian stock market is varying accountable for FIIs purchases. Moreover, Indian stock market index and FIIs sales strong correlation with each other. There is positive or negative influence of FIIs purchases and FIIs sales on performance of BSE SENSEX. It can be
concluded that bull market and bear market trend happening in BSE SENSEX and NIFTY50 resulting in FIIs activities; FIIs purchases and FIIs sales. FIIs net investments concern with excess investment among FIIs purchases and FIIs sales. So, The FIIs purchases and FIIs sales have foremost influence on performance of Indian stock indexes BSE SENSEX and NIFTY50 rather than FIIs net investments.

Third Finding, Research study has investigated the effect of FIIs investments activities FIIs purchases, FIIs sales, FIIs net investments over the Indian stock indexes. There is a proportional considerable effect of FIIs investments activities on performance of BSE SENSEX and NIFTY50. This result shows that remain some proportional changes in performance of Indian stock indexes are happening attributable to the other factors other than FIIs investments activities. Thus, it indicates that interest and behavior of Foreign investors lead to volatility of Indian stock market.

Fourth finding, FIIs purchases and FIIs sales are highly influenced of Indian stock market. Both should be nearly equal. But if FIIs purchases and FIIs sales do not deviated with simultaneously, it shows huge deficit toward FIIs investments that define as FIIs net investments which composes bull or bear market conditions. So, FIIs net investments are major attributes for performance of stock market.

Fifth finding, the regression residual model investigated cause and effect relation among dependent variable BSE SENSEX and NIFTY50 and independent variables FIIs investments activities. Here, regression residual model has obtained predicated value of dependent variable BSE SENSEX and NIFTY50 with respect to FIIs investments activities. The predicated value is relevance to the independent variables. So, the regression residual model result indicated that the regression coefficients are significantly equal to zero, which shows the volatility of BSE SENSEX and NIFTY50 index owning to FIIs investments activities.

Consequently, foreign institutional investors having vital role toward Indian stock market. The bull and bear market trend deprived on behavior and interest of foreign institutional investors.
6.5 Brief Chapter wise Summary:
The brief chapter wise summary of the research study as follow:

Chapter 1: An Overview of Indian Capital Market:
The capital market is a decisive of the financial system. Capital market provides the livelihood of capitalism to the country. Capital market concerned with the industrial security market, government securities markets, and long term loan market. Capital market deals with long term loan market. It supplies long-term and medium term funds. The capital market is source of income for investors and source of fund for company. This research section assists to the researcher or investor to understand the general idea regarding Indian capital market.

This section consists with an overview of the main subject matters of the research. It related with the various aspect of the Indian capital market which includes concept, meaning, nature, and scope of the capital market and origin, history, development of the Indian capital market. So chapter defines conceptual frame work regarding Indian capital market.

It also shows the functions of the capital market in Indian financial system. The two type of capital market primary and secondary market, and various guidelines of the SEBI and Depository participants have been explained by the researcher. Moreover, it included various stock exchanges domestic and global exchanges, new reforms in Indian capital markets.. Most recently hap ping is in Indian as well as globally global crisis and its impact on Indian of capital market also explained. Moreover, this chapter employed trend of volatility of Indian stock market india.

Chapter 2: Role of Foreign institutional investors (FIIs) in Indian stock market
The Foreign Institutional Investors have grow a noteworthy character in Indian Capital Market. They are providing huge amount of capital in Indian capital market. So this foreign capital inflow assists for development of Indian financial system. No doubt FIIs investing large of capital in Indian capital market but in the contrary they pull of huge return and capital from the Indian capital market too.
This chapter comprises conceptual framework of foreign institutional investors. Content of chapter gives the meaning and concept of foreign institutional investors, eligibility criteria for being FIIs, requirement documents and process of foreign investments. So it assists to investors for foreign investments in the world.

Moreover, foreign capital is a vital external source of Indian country, here also disclosed requirement of FIIs investments, advantages and limitations of the FIIs investments. Chapter contented with trend of FIIs investments activities in Indian stock market. The trend of FIIs investments activities shows trend of FIIs purchases, FIIs sales and FIIs net investments for the year 1991 to year 2012. The main objective of study is a role of FIIs investments on Indian stock market accomplished by this chapter.

Chapter 3: Research Methodology:

This chapter explained the calculation of price volatility in companies share price. Researcher defines various existing literatures from different sources which related with the study and problems of the title “Role of Foreign Institutional Investors [FIIs] In Indian Stock Market” and various objective frames by the researcher, which leads to research activities. The study is based of the secondary data and it collected various news papers, magazines and companies web-sites, data classified, formulated hypothesis as per the objectives and nature of the data analysis.

Researcher used descriptive statistical tools like as Mean, Median, and Coefficient of variance, Skewness, kurtosis, Standard Deviation, standard error, range, etc for fundamental analysis of the research objectives. Descriptive statistical tools come cross variability and recital of FIIs investments and BSE SENSEX and NIFTY for the year 2003 to year 2012. Moreover, in this study, researcher has used regression residual anlaysis, coefficient of correlation and coefficient of determinant $R^2$ and adjusted $R^2$ applied for the study. Formulate hypothesis and testes by t-test and F-test. End of the section shows significance, important of study, limitation of tools and technique which employed in the researcher study.
Therefore, methodologies employed in this research study to scrutinised the main objectives that is cause of volatility in Indian stock indexes; BSE SENSEX and NIFTY as a result of effect of FIIs investments on Indian stock market. There is an apposite result found with suitable methodologies engaged in this research study.

Chapter 4: Data analysis and Interpretation

This chapter related with the analysis and interpretation of the data which has been classified by the researcher for study objectives. Researcher has investigated, role of FIIs investments on Indian stock market. As above disclosed, different type of statistical tools and techniques are employed in research study which assists for analysis and interpretation of data. Researcher has used descriptive statistical tools for the proper analysis study objectives.

In Analysis of descriptive statistical for FIIs investments activities and BSE SENSEX & NIFTY, Mean, Median, and Coefficient of variance, Skewness, kurtosis, Standard Deviation, standard error, range, etc are for the for elementary analysis of the research objectives. Descriptive statistical tools come cross variability and narration of FIIs investments and BSE SENSEX and NIFTY.

Analysis of regression residual model for FIIs investments activities and BSE SENSEX and NIFTY, coefficient determination $R^2$, and adjusted $R^2$ employed for quantify the effects and association between Indian stock indexes and FIIs investments. These tools used for find propositional effects and degree of correlation between BSE SENSEX, NIFTY and FIIs investments activities. Researcher has used t-test for significant predictive variables FIIs activities on Indian stock index and F-test to determine the overall significance of the regression model.

Analysis of comparative, association and overall of FII investments activities and BSE SENSEX & NIFTY, coefficient determination $R^2$, and adjusted $R^2$ employed for enumerate the effects of FIIs investments on Indian stock indexes. The coefficient of correlation applied for degree of correlation between BSE SENSEX, NIFTY and FIIs investments activities.

Consequently, this section analysis of data and interpretation consists with statistical tools and hypothesis testing leads to finding and results of the study.
Chapter 5: Summary, Findings, Suggestions and Conclusion:

This chapter included brief chapter wise summary of the research study which has been undertaken by the researcher. This section is very vital as part of study, here research shows the blueprint of the study. A researcher has studied to accomplish the objectives of the study through this researcher dissertation. He has made findings which derived after deep study of the research and suggested a suggestions for the future researcher and investor which held in this area. At last, Researcher has given conclusion of the research which shows the outline of overall research study.

6.6 Future perspectives of the Study

The study would be supportive for more expressive studies on the thoughts that will be explored. Furthermore, it would be beneficial to gain knowledge concerning foreign institutional investments their process of registration and their force on Indian stock market and different industrial sectors. The study grants a very apparent depiction of the impact of foreign institutional investors on Indian stock indices. It will also express the market tendency due to FIIs inflow and outflow.

The empirical investigation of the course of causes between FIIs activities and Indian stock market performance over the time period year 2003 to year 2012 for 10 years has revealed that FIIs activities are caused by rather than causing the Indian stock indexes. However, researcher can employed FIIs investments for starting period of time since 1991. So, research result gives the logical analysis by the different time lags which will be provide trend of FIIs investments and performance of Indian stock market. Thus research gives diagnostic result at particular time lags like as 3 years, 5 years, 10 years. etc.

Researcher has used the BSE SENSEX and NIFTY nationalised index for study and investigated the effect of FIIs investments on volatility of BSE SENSEX and NIFTY for the year 2003 to year 2012. Moreover, the study is dynamic in nature. It is not end of this research study. It is quite wider in nature. So the future research can more research activity regarding volatility BSE & NSE. There is not only FIIs investments play
important but also FDI investment crucial role in Indian stock market. Research study might be more analytical and excellent with consideration FIIs and FDI investments in India.

The performance of stock market and behavior of foreigner investors are change due to many unforeseen variables in the future. Researcher can use different variables for this research like as macro economic – Inflation rates, Money supply, GDP rate, Industrial production index, Commodities index, and Exchange rates, etc. Researcher also can study the buyers and sellers behavior in respect of investment. Due to changes in Indian financial system, there are drastic changes shown in the stock market. So it will be changes in continues in the Indian financial system. Researcher has to consider all the future changes in stock market. There will have many opportunities as well challenges for the research to more study about this topic.

6.7 Conclusion

The role of investment in promoting economic growth has conventional considerable concentration in India since independence. But the role of foreign institutional investment in the economic development of India is a recent topic of discussion among economists and development planners. Since the implementation of the new economic policies in early 1990s, India emerged as an important destination of global investors’ investment. It is from September 14, 1992, FIIs have been investing on financial instruments in India and providing incentives for financial innovations in the country.

Recently, FIIs have become the movers and shakers of the market. Given this growing importance of FIIs for the Indian economy, it is necessary that the energetic of such cross-border portfolio investment in the context of economic growth of the country be examined. It is with this aim an attempt has been made in this empirical research study.

This empirical research study examined the vital role of FIIs investments on Indian stock market. Here researcher has used FIIs investments and performance of Indian stock market; BSE SENSEX and NIFTY50 variables of the study. Researcher defines various existing literatures related with the study and problems of the title, various objective
frames by the researcher, which leads to research phenomenon. There were used many literature of review for this research study and formulated appropriate methodology for accomplish objectives of the study. researcher exercised year average of BSE SENSEX and NIFTY Indian stock index and average FIIs purchase, sales, net investments for 10 years for course to carry out objectives; to study the trend of Foreign Institutional investors in India, to discover the relationship between the FIIs equity investment pattern and Indian stock indices, to study the trend of FIIs investments in India stock market and BSE & NSE Indices, to discover the role of foreign institutional investors in Indian stock market.

Researcher employed Descriptive statistical tools like as Mean, Median, and Coefficient of variance, Skewness, kurtosis, Standard Deviation, standard error, range, etc for fundamental analysis of the research objectives. Coefficient of correlation and coefficient of determination employed in the variables for purpose of measure the effect of independent variables FIIs investments on dependent variables Indian stock indexes BSE SENSEX and NIFTY and study the association with independent and dependent variables. Regression residual model employed for examine cause and effect relationship between FIIs investment and Indian stock indexes BSE SENSEX and NIFTY. There is hypothesis developed and tested in order to reach objectives headed for role of FIIs on Indian stock market. Researcher has applied t-test for significant predictive variables FIIs behavior on Indian stock index. t-test used coefficient of determination zero as null hypothesis, in other word, null hypothesis that populations slope is zero which shows that there is no relationship between of FIIs investments and BSE SENSEX / NIFTY. F-test employed the overall significance of the regression model. This F-test determines tolerate regression coefficients are different from zero. Moreover, an applied methodology assists from effective analysis and interpretation of study which gives suitable results and findings of study.

The first result of study shows that there is high degree of positive correlation between FIIs investments activities and performance of stock market; BSE SENSEX and NIFTY50. Second result disclosed that the proportional effect of FIIs investment; FIIs purchase and FIIs sales on BSE SENSEX and NIFTY 50. So as per these results it
concluded that behavior of foreign institutional investors is highly influenced on performance of stock market in India. Third regression residual analysis results show that FIIs investments activities are perfect predictors to measure the bull and market trends in Indian stock market. Forth t-test and fifth F-test results disclosed that coefficient of determination is not equal to zero which indicates. FIIs investments activities are more predictive variables for volatility Indian stock market.

The study would be sympathetic for more communicative studies on the thoughts that will be explored. Subsequently it will be changes in continues in the Indian financial system. Researcher has to consider all the future changes in stock market and behaviour of foreign institutional investors. There will have many opportunities as well challenges for the research to more study about this topic.