The role of investment in encouraging economic growth has predictable considerable concentration in India since independence. But the role of foreign institutional investment in the economic development of India is a recent topic of debate. The issues of role of FIIs investments and volatility of Indian stock market have become increasingly central issues in recent times to financial practitioners, market participants, regulators and researchers.

Foreign institutional investors have gained a significant role in Indian capital markets. Availability of foreign capital depends on many firm specific factors other than economic development of the country. In this context this research study examines the contribution of foreign institutional investment particularly among companies included in sensitivity index SENSEX of Bombay Stock Exchange and NIFTY of National Stock Exchange. Also examined is the relationship between foreign institutional investment and performance of Indian stock market. This study makes an attempt to develop an understanding of the dynamics of the trading behavior and the factors influencing FIIs and volatility in the Indian equity market by analyzing daily average for 10 years which started from year 2003 to year 2012.

The present study has been taken up to deal with role of FIIs investments in Indian stock market and investigated the relationship between FIIs investments activities and performance of Indian stock market. Moreover, research study studied causes of volatility Indian stock market due to effect of FIIs investments activities.
Under this study to better understand the Industry, researcher has used Fundamental and Technical Statistical tools to make it more authentic and meaningful. The fundamental aspect consists comparative and trend analysis of FIIs investments and performance of Indian stock market. Here researcher has used descriptive statistical tools; mean, median, standard deviation, standard error, coefficient variances, range, skewness and kurtosis for the proper analysis study objectives. Besides, Coefficient correlation \([r]\), coefficient determination \(R^2\), and adjusted \(R^2\) employed for quantify the effects and association between Indian stock indexes and FIIs investments. Researcher has employed regression residual analysis and applied t-test for significant predictive variables FIIs activities on Indian stock index and F-test to determine the overall significance of the regression model.

At the end finding, conclusion and recommendations have been specified so as to make the research work more meaningful and purposeful. However, from an investor’s point of view, it would be immensely useful if the future Stock volatility and effect of foreign investors behavior could be predicted from the past data.

The study would be sympathetic for more expressive studies on the belief that will be more explored. 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. 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 research.

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