

A Study on Foreign Institutional Investors Investment on Selected Sectors and Selected Companies in Bombay Stock Exchange

Dr. G. Ramjee Bheem Rao¹, Ms. P. Jyothsna², J. Anitha Rose³

¹*Post-Doctoral Fellow-ICSSR, Department of Commerce and Management Studies, Andhra University, Visakhapatnam, E-Mail : ramjee0402@gmail.com*

²*Assistant Professor, Vignan Institute of Information and Technology, Visakhapatnam.*

³*Research Scholar, Department of Commerce and Management Studies, Andhra University, Visakhapatnam.*

Abstract

The study focused on to study the impact of FII's on Indian stock market returns; mainly focused on the selected Sectoral Indices (Automobile, Banking, Consumer Durables, Capital Goods, Finance FMCG, Information Technology, Pharma, Metals, OIL & GAS, Reality and Telecom). India is one of the developing economies in the world. The developing economies are more attracting to foreign investors by giving high returns to their investments; India became an utmost favorable destination to foreign investors with strong economic fundamentals and improved corporate earnings, supportive economic policies etc. Indian stock markets performing good returns in the emerging economies. These forces to overseas investors move towards the Indian securities and infuse of more funds into the Indian stock markets. This study analyse the impact of FII's flows on selcted sector performance. These results discussed in the following section.

Keywords: *FII's, DIIs, Investment Decisions ,Equity Purchases and Sales*

1. Introduction

The economic reforms commenced in India in early 1990s brought about transforming in stock markets. Increasing trends of globalization, and minimize the regulations for foreign capital to construct the stock market became an ambitious and, in their functioning, well managed. With the upgrowth of equity investment trends across the globe, even India which has an oldest stock exchanges with finest equity culture has evidenced the investors shift their perception towards equity markets. The investors are the key factor of success in market guided economy and their savings are converted to investments and imbue in markets, their investments need to be direct in to the profitable sectors of the market.

Among various investor groups Foreign Institutional Investors (FIIs) is one of the leading groups that have emerged as a major player in development of the stock markets. Foreign Investment includes all those investments by residents of one nation in financial resources and also in the economic development of another country. After the economic reforms capital movement these investments have rapid growth. It has different effects from country to country. It can as well affect the factor productivity of the country receiving the investments and its trade deficit. In emerging economy's there is a much need for foreign funds, not only to upgrowth and also support to increase forex reserves to meet current account deficits. Foreign funds facilitate us with a source of channel through which countries can gain access to foreign investment flows. It will come as two ways: Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI). FDI involves direct production activities of medium to long-term nature, whereas FPI/FII is a short-term investment made mostly in financial markets consisting of Foreign Institutional Investments (FII).

2. Review of Literature:

Jeyanthi (2016) observed that FIIs contribution to the Indian securities alternate has an amazing effect to be had. Be that as it can, their mission is fluctuating every once in a while, from 2000 - 2015. FIIs withdrawal has plunged down the provider fee. The FIIs hypothesis, there are different fundamental considerations that affect the bourses in the share trading system, yet FII is simply one of the components. There was a connection between FIIs hobby in fee and NSE Capital market fragment. Be that as it could the connection is large at 1% degree. Our outcomes display that FIIs had an immediate noteworthy impact on the Indian capital market. Thusly, the artificial idea is stated. FII'S undoubtedly affecting NSE.

Sudhakar and Uma (2017) reported that effect of FII investments with the economic variables and it was found that CPI and money supply causes an impact in FII and FIIs area unit influencing a modification in the exchange rate and IIP.

Reddy and Sultana (2017) focus on the macro perspective of securities market behavior. it had been administered to examine the association between Indian securities market and economic factors like rate of exchange, crude oil prices, Index of Industrial Production (IIP), Foreign Institutional Investment (FII) Statutory Liquidity ratio (SLR), cash Reserve ratio (CRR), Interest Rate & Inflation, and additionally to find the effect of those economic factors on the Indian securities market. It finding that the correlation between the rate of exchange, crude oil price, FII, SLR, CRR, the bank rate and nifty is significant. When it comes to Sensex it had been found that correlation is significant with reference to all the economic variables thought-about except IIP. Based on the results of the Granger causality test it has been finding that CRR and FII cause nifty and CRR causes Sensex. Both Sensex and nifty in turn, Granger cause the rate of interest.

Kadanda et al. (2017) found that the trading methods of FIIs and DIIs differ in Indian stock exchange. Whereas FIIs follow the feedback trading strategy, DIIs pursue the strategy of feedback trading that was a lot of pronounced throughout the crisis. Further, there's a

negative relationship between FPI flows and DII flows. The results indicate the importance of developing sturdy domestic institutional investors to counteract the destabilizing nature FIIs, significantly throughout turbulent times.

Thakur et al. (2017) presumed that high connection between FII flow and bring up in the record of Indian securities exchange in a high drawn out traverse yet there is a less effect in the confined capacity to focus is the relationship between FII flow and the comparing bring up in the record of Indian securities exchange is extremely poor and the chi-square test performed with the assistance of the above information with the suspicion of 5% noteworthiness level where the invalid theory was accepted as-" There is connection amongst FII and the stock list of Indian market "Furthermore, it was discovered that invalid speculation was approved. In this way, it is discovered that FII has a critical effect on the Indian securities exchange.

Sathish, P., & Srinivasan, K. S. (2018) found that each institutional investor (FIIs and DIIs) are influenced by every other's actions within the Indian stock exchange. The commercialism behavior of FIIs and DIIs are opposite to every different in Indian stock exchange. The estimated model also brings out the actual fact that a movement in the market index does influence the FIIs and DIIs' investment pattern.

Kaur (2018) found that FDI has a crucial role in the economic growth and development of a country. Prolonged development of the Indian economy are often conquered by means that of creating jobs opportunities & expansion of existing producing industries, which is possible solely through the inflow of FDI to various sectors. The present study reveals that each one sector is not equally attractive for foreign investors for making the investment.

Kansal and Sharma (2018) concluded that every day BSE Sensex and every day Nifty has a terribly low diploma of direct correlation with every day FIIs investment. This suggests that there are numerous distinctive macroeconomic elements have circuitously affected the daily BSE Sensex and each day Nifty bang-up but their impact at the inventory expenses cannot be completely ignored. Therefore, every index flow in course of FII investment. Monetary boom i.E. IIP and GDP, inflation and rate of interest are the essential parameters used by FII's to put money into any nations. FIIs investments are additionally manual to the financial boom of U.S.A. In view that they bring the lots the required capital. FII's helped in the development of market performance. Given that funding of FII's increasing, therefore, SEBI needs to enhance marketplace trading performance with a view to maintaining FIIs investment.

3 .Impact of FII's on Selected Sectoral Index Returns

The study focused on to study the impact of FII's on Indian stock market returns; mainly focused on the selected Sectoral Indices (Automobile, Banking, Consumer Durables, Capital Goods, Finance FMCG, Information Technology, Pharma, Metals, OIL & GAS, Reality and Telecom). India is one of the developing economies in the world. The developing economies are more attracting to foreign investors by giving high returns to their investments; India became an utmost favorable destination to foreign investors with strong economic

fundamentals and improved corporate earnings, supportive economic policies etc. Indian stock markets performing good returns in the emerging economies. These forces to overseas investors move towards the Indian securities and infuse of more funds into the Indian stock markets. This study analyse the impact of FII's flows on selcted sector performance. These results discussed in the following section.

In this concern, the study identified as priority and impact of FII's on selcted sector performance analyzed using the following results.

4. Impact of Net FII on S&P BSE Auto sector returns

The FII's impact on the S&P BSE Auto sector returns have analysed using the regression results and these results have presented in the table 1.

Table 1
Impact of Net FII on S&P BSE Auto sector returns

Dependent Variable: S&P BSE Auto sector

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|----------|
| C | 4661.749 | 1735.862 | 2.685552 | 0.0277 |
| FII | 0.092382 | 0.013065 | 7.071089 | 0.0001 |
| R-squared | 0.862070 | Mean dependent var | | 16034.90 |
| Adjusted R-squared | 0.844828 | S.D. dependent var | | 5241.226 |
| S.E. of regression | 2064.615 | Akaike info criterion | | 18.28013 |
| Sum squared resid | 34101074 | Schwarz criterion | | 18.34065 |
| Log likelihood | -89.40066 | Hannan-Quinn criter. | | 18.21374 |
| F-statistic | 50.00030 | Durbin-Watson stat | | 2.160431 |
| Prob (F-statistic) | 0.000105 | | | |

Source: Author computation

The table 1 shows the regression results of net FII and Auto sector returns, from that table we can identify the Probability value of net FII is 0.0001 percent. It is below 5 percent; this supports the net FII have a high impact on S&P BSE Auto sector or returns. Thus, the FII does affect S&P BSE Auto sector returns. R-squared is 86 % is acceptable level for explaining S&P BSE Auto sector returns. Generally, other factors are slightly influence the S&P BSE Auto sector returns; here focus confined in this study was on FII's. It is concluded that FII's alone significantly influencing S&P BSE Auto sector returns.

5. Impact of Net FII on S&P BSE Banking sector returns

The FII's impact on the S&P BSE Banking sector returns have analysed using the regression results and these results have presented in the table 2.

Table 2
Impact of Net FII on S&P BSE Banking sector returns

Dependent Variable: S&P BSE Banking sector

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|----------|
| C | 9980.101 | 2005.406 | 4.976599 | 0.0011 |
| FII | 0.032480 | 0.005071 | 6.405643 | 0.0002 |
| R-squared | 0.836842 | Mean dependent var | | 20823.04 |
| Adjusted R-squared | 0.816447 | S.D. dependent var | | 7937.188 |
| S.E. of regression | 3400.533 | Akaike info criterion | | 19.27811 |
| Sum squared resid | 92508985 | Schwarz criterion | | 19.33863 |
| Log likelihood | -94.39054 | Hannan-Quinn criter. | | 19.21172 |
| F-statistic | 41.03226 | Durbin-Watson stat | | 1.337774 |
| Prob(F-statistic) | 0.000208 | | | |

Source: Author computation

Table 2 identifies that the FII does affect S&P BSE Banking sector returns. The Probability value of net FII is 0.0002 percent, which is below 5 percent. Thus, FII does have significant impact on S&P BSE Banking sector returns. R-squared is 84 % is still high acceptable level for explaining S&P BSE Banking sector returns. Generally, other factors will slightly influence the S&P BSE Banking sector returns; here focus confined in this study was on foreign institutional investments (FIIs). It concluded FIIs alone significantly influencing S&P BSE Banking sector returns.

6. Impact of Net FII on S&P BSE Capital Goods sector returns

The FII's impact on the S&P BSE Capital Goods sector returns have analysed using the regression results and these results have presented in the table 3.

Table 3
Impact of Net FII on S&P BSE Capital Goods sector returns

Dependent Variable: S&P BSE Capital Goods Sector

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|----------|-------------|------------|-------------|--------|
| C | 8259.288 | 4543.126 | 1.817975 | 0.1066 |
| FII | 0.062132 | 0.045996 | 1.350828 | 0.2137 |

| | | | |
|--------------------|-----------|-----------------------|----------|
| R-squared | 0.185729 | Mean dependent var | 14238.40 |
| Adjusted R-squared | 0.083945 | S.D. dependent var | 3382.687 |
| S.E. of regression | 3237.596 | Akaike info criterion | 19.17991 |
| Sum squared resid | 83856226 | Schwarz criterion | 19.24042 |
| Log likelihood | -93.89953 | Hannan-Quinn criter. | 19.11352 |
| F-statistic | 1.824736 | Durbin-Watson stat | 1.403010 |
| Prob(F-statistic) | 0.213713 | | |

Source: Author computation

The table 3 shows that the FII does affect S&P BSE Capital Goods Sector returns. The Probability value of net FII is 0.2137 percent, which is below 5 percent. Thus, FII does have significant impact on S&P BSE Capital Goods Sector returns. R-squared is 19 % is still acceptable level for explaining S&P BSE Capital Goods Sector returns. Generally, many other factors were influenced the S&P BSE Capital Goods Sector returns; here focus confined in this study was on foreign institutional investments (FIIs).

7. Impact of Net FII on S&P BSE Consumer Durables sector returns

The FII's impact on the S&P BSE Consumer Durables sector returns have analysed using the regression results and these results have presented in the table 4

Table 4
Impact of Net FII on S&P BSE Consumer Durables sector returns

Dependent Variable: S&P BSE Consumer Durables sector

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|----------|
| C | 7295.460 | 1505.705 | 4.845212 | 0.0013 |
| FII | 0.328392 | 0.054931 | 5.978257 | 0.0003 |
| R-squared | 0.817099 | Mean dependent var | | 13427.36 |
| Adjusted R-squared | 0.794237 | S.D. dependent var | | 7684.565 |
| S.E. of regression | 3485.807 | Akaike info criterion | | 19.32764 |
| Sum squared resid | 97206816 | Schwarz criterion | | 19.38816 |
| Log likelihood | -94.63822 | Hannan-Quinn criter. | | 19.26126 |
| F-statistic | 35.73955 | Durbin-Watson stat | | 0.708782 |
| Prob(F-statistic) | 0.000331 | | | |

Source: Author computation

The table 4 presented the FII does affect S&P BSE Consumer Durables sector returns. The Probability value of net FII is 0.0003 percent, which is below 5 percent. Thus, FII does have significant impact on S&P BSE Capital Goods Sector returns. R-squared is 82 % is acceptable level for explaining S&P BSE Consumer Durables sector returns. Generally, other factors also will influence the S&P BSE Consumer Durables sector returns; here focus confined in this study was on foreign institutional investments (FIIs). It concludes FIIs alone significantly influencing S&P BSE Consumer Durables sector returns.

8. Impact of Net FII on S&P BSE Finance sector returns

The FII's impact on the S&P BSE Finance sector returns have analysed using the regression results and these results have presented in the table 5

Table 5.5

Impact of Net FII on S&P BSE Finance sector returns

Dependent Variable: S&P BSE Finance sector

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|----------|
| C | 2670.976 | 840.7484 | 3.176903 | 0.0131 |
| FII | 0.005170 | 0.002663 | 1.941226 | 0.0882 |
| R-squared | 0.320211 | Mean dependent var | | 4077.357 |
| Adjusted R-squared | 0.235238 | S.D. dependent var | | 1542.606 |
| S.E. of regression | 1349.020 | Akaike info criterion | | 17.42900 |
| Sum squared resid | 14558843 | Schwarz criterion | | 17.48952 |
| Log likelihood | -85.14501 | Hannan-Quinn criter. | | 17.36261 |
| F-statistic | 3.768360 | Durbin-Watson stat | | 0.880532 |
| Prob(F-statistic) | 0.088179 | | | |

Source: Author computation

The table 5 presented that the FII does affect S&P BSE Consumer Durables sector returns. The Probability value of net FII is 0.0882 percent, which is below 5 percent. Thus, FII does have significant impact on S&P BSE Finance sector returns. R-squared is 32% is acceptable level for explaining S&P BSE Finance sector returns. Generally, other factors will also influence the S&P BSE Finance sector returns; here focus confined in this study was on foreign institutional investments (FIIs). Its ware concludes FIIs moderately influencing S&P BSE Finance sector returns.

9. Impact of Net FII on S&P BSE FMCG sector returns

The FII's impact on the S&P BSE FMCG sector returns have analysed using the regression results and these results have presented in the table 6.

Table 6
Impact of Net FII on S&P BSE FMCG sector returns

Dependent Variable: S&P BSE FMCG sector

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|----------|
| C | -3238.741 | 2007.549 | -1.613282 | 0.1453 |
| FII | 0.121870 | 0.021604 | 5.641069 | 0.0005 |
| R-squared | 0.799104 | Mean dependent var | | 7850.367 |
| Adjusted R-squared | 0.773992 | S.D. dependent var | | 2709.777 |
| S.E. of regression | 1288.235 | Akaike info criterion | | 17.33679 |
| Sum squared resid | 13276395 | Schwarz criterion | | 17.39731 |
| Log likelihood | -84.68395 | Hannan-Quinn criter. | | 17.27040 |
| F-statistic | 31.82166 | Durbin-Watson stat | | 1.072248 |
| Prob(F-statistic) | 0.000486 | | | |

Source: Author computation

Table 6 presents the regression results of net FII and S&P BSE FMCG sector returns. The FII does affect S&P BSE FMCG sector returns, this supported by the P-value of net FII is 0.0005 percent. It is below 5 percent in order to make a significant impact on S&P BSE FMCG sector returns. R-squared is 80 per cent is high acceptable level for explaining S&P BSE FMCG sector returns. Generally other factors slightly influence the stock exchange; our focus in this study was on FIIs. From the above regression results we can conclude FIIs also significantly influencing Indian FMCG sector.

10. Impact of Net FII on S&P BSE Information Technology sector returns

The FII's impact on the S&P BSE Information Technology sector have analysed using the regression results and these results have presented in the table 7.

Table 7
Impact of Net FII on S&P BSE Information Technology sector returns

Dependent Variable: S&P BSE Information Technology sector

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|----------|-------------|------------|-------------|--------|
| C | 1935.702 | 1742.713 | 1.110741 | 0.2989 |

| | | | | |
|--------------------|-----------|-----------------------|----------|----------|
| FII | 0.034081 | 0.006730 | 5.064333 | 0.0010 |
| R-squared | 0.762241 | Mean dependent var | | 10343.50 |
| Adjusted R-squared | 0.732521 | S.D. dependent var | | 3239.995 |
| S.E. of regression | 1675.673 | Akaike info criterion | | 17.86267 |
| Sum squared resid | 22463045 | Schwarz criterion | | 17.92319 |
| Log likelihood | -87.31337 | Hannan-Quinn criter. | | 17.79629 |
| F-statistic | 25.64747 | Durbin-Watson stat | | 1.415742 |
| Prob(F-statistic) | 0.000972 | | | |

Source: Author computation

Table 7 presents the regression results of net FII and S&P BSE Information Technology sector returns. The results found that the FII does affect S&P BSE Information Technology sector returns. The P-value of net FII is 0.0010 percent. It is below 5 percent, this supports the FII have significant impact on S&P BSE Information Technology sector returns. R-squared is 76% is highly acceptable level for explaining S&P BSE Information Technology sector returns. Even the S&P BSE Information Technology sector returns are moderately influenced by other factors, the researcher has main considerations to FII investment only.

11. Impact of Net FII on S&P BSE Metal sector returns

The FII's impact on the S&P BSE Metal sector have analysed using the regression results and these results have presented in the table 8.

Table 8
Impact of Net FII on S&P BSE Metal sector returns

Dependent Variable: S&P BSE Metal

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|----------|
| C | 7969.223 | 3768.662 | 2.114603 | 0.0674 |
| FII | 0.060283 | 0.080233 | 0.751343 | 0.4740 |
| R-squared | 0.065913 | Mean dependent var | | 10723.85 |
| Adjusted R-squared | -0.050847 | S.D. dependent var | | 2691.611 |
| S.E. of regression | 2759.194 | Akaike info criterion | | 18.86012 |
| Sum squared resid | 60905190 | Schwarz criterion | | 18.92064 |
| Log likelihood | -92.30060 | Hannan-Quinn criter. | | 18.79373 |
| F-statistic | 0.564516 | Durbin-Watson stat | | 1.168193 |
| Prob(F-statistic) | 0.473967 | | | |

Source: Author computation

Table 5.8 presents the regression results of net FII and S&P BSE Metal sector returns. The above results show the FII does not affect S&P BSE Metal sector returns; this supported by the P-value of net FII is 0.4740 percent. It is below 5 percent in order to make a low impact on S&P BSE Metal sector returns. R-squared is 7 % is slight acceptable level for explaining S&P BSE Metal sector returns. Generally the other factors highly impact on the S&P BSE Metal sector; our focus in this study was on FIIs. From the above regression results we can conclude FIIs very low-level impact on S&P BSE Metal sector.

12. Impact of Net FII on S&P BSE Oil and Gas sector returns

The FII's impact on the S&P BSE Oil and Gas sector returns have analysed using the regression results and these results have presented in the table 9.

Table 9
Impact of Net FII on S&P BSE Oil and Gas sector returns

Dependent Variable: S&P BSE Oil and Gas

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|----------|
| C | 7000.337 | 1089.921 | 6.422791 | 0.0002 |
| FII | 0.024534 | 0.005983 | 4.100966 | 0.0034 |
| R-squared | 0.677652 | Mean dependent var | | 10963.51 |
| Adjusted R-squared | 0.637359 | S.D. dependent var | | 2646.530 |
| S.E. of regression | 1593.732 | Akaike info criterion | | 17.76240 |
| Sum squared resid | 20319858 | Schwarz criterion | | 17.82292 |
| Log likelihood | -86.81201 | Hannan-Quinn criter. | | 17.69601 |
| F-statistic | 16.81792 | Durbin-Watson stat | | 1.466497 |
| Prob(F-statistic) | 0.003433 | | | |

Source: Author computation

Table 9 presents that the FII does affect S&P BSE S&P BSE Oil and Gas sector returns. The Probability value of net FII is 0.0034 percent, which is below 5 percent. Thus, FII does have significant impact on S&P BSE Oil and Gas sector returns. R-squared is 68 % is still high acceptable level for explaining S&P BSE Oil and Gas sector returns. Generally, other factors will influence the S&P BSE Oil and Gas sector returns; here focus confined in this study was on foreign institutional investments (FIIs). We can conclude FIIs alone significantly influencing S&P BSE Oil and Gas sector returns.

13. Impact of Net FII on S&P BSE Pharma sector returns

The FII's impact on the S&P BSE Pharma sector returns have analysed using the regression results and these results have presented in the table 10.

Table 10
Impact of Net FII on S&P BSE Pharma sector returns

Dependent Variable: S&P BSE Pharma

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|----------|
| C | 4862.788 | 2177.643 | 2.233051 | 0.0560 |
| FII | 0.068076 | 0.019304 | 3.526584 | 0.0078 |
| R-squared | 0.608549 | Mean dependent var | | 11955.78 |
| Adjusted R-squared | 0.559618 | S.D. dependent var | | 3977.862 |
| S.E. of regression | 2639.761 | Akaike info criterion | | 18.77162 |
| Sum squared resid | 55746685 | Schwarz criterion | | 18.83214 |
| Log likelihood | -91.85810 | Hannan-Quinn criter. | | 18.70523 |
| F-statistic | 12.43680 | Durbin-Watson stat | | 1.061321 |
| Prob(F-statistic) | 0.007771 | | | |

Source: Author computation

The table 10 shows the regression results of net FII and S&P BSE Pharma sector returns, from that table we can identify the Probability value of net FII is 0.0078 percent. It is below 5 percent; this supports the net FII have significant impact on S&P BSE Pharma sector returns. Thus, the FII mostly affect S&P BSE Pharma returns. R-squared is 61% is acceptable level for explaining S&P BSE Pharma sector returns. Generally, the other factors will also influence the S&P BSE Pharma sector returns; here focus confined in this study was on foreign institutional investments (FIIs). From the above results, we can find that FIIs alone significantly influencing S&P BSE Pharma sector returns.

14. Impact of Net FII on S&P BSE Reality sector returns

The FII's impact on the S&P BSE Reality sector returns have analysed using the regression results and these results have presented in the table 11.

Table 11
Impact of Net FII on S&P BSE Reality sector returns

Dependent Variable: BSE S&P Reality

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|-----------|-------------|--------------------|-------------|----------|
| C | 1537.855 | 321.0880 | 4.789511 | 0.0014 |
| FII | 0.013111 | 0.014332 | 0.914816 | 0.3870 |
| R-squared | 0.094704 | Mean dependent var | | 1813.766 |

| | | | |
|--------------------|-----------|-----------------------|----------|
| Adjusted R-squared | -0.018458 | S.D. dependent var | 345.1549 |
| S.E. of regression | 348.3257 | Akaike info criterion | 14.72101 |
| Sum squared resid | 970646.6 | Schwarz criterion | 14.78153 |
| Log likelihood | -71.60505 | Hannan-Quinn criter. | 14.65462 |
| F-statistic | 0.836888 | Durbin-Watson stat | 1.416657 |
| Prob(F-statistic) | 0.387031 | | |

Source: Author computation

The table 11 shows the regression results of net FII and S&P BSE Reality sector returns, from that table we can identify the Probability value of net FII is 0.3870 percent. It is below 5 percent; this supports the net FII have significant impact on S&P BSE Reality sector returns. Thus, the FII slightly affect S&P BSE Reality sector returns. R-squared is 9 % is still acceptable level for explaining BSE S&P returns. Generally, the other factors will highly influence the BSE S&P Reality sector returns; here focus confined in this study was on foreign institutional investments (FIIs). From the above analyses, conclude that FIIs nominal influencing BSE S&P Reality sector returns.

15. Impact of Net FII on S&P BSE Telecom sector returns

The FII's impact on the S&P BSE Telecom sector returns have analysed using the regression results and these results have presented in the table 12.

Table 12
Impact of Net FII on S&P BSE Telecom sector returns

Dependent Variable: S&P BSE Telecom

Method: Least Squares

Included observations: 10

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|----------|
| C | 1287.351 | 143.9524 | 8.942893 | 0.0000 |
| FII | -0.001553 | 0.002811 | -0.552360 | 0.5958 |
| R-squared | 0.036737 | Mean dependent var | | 1212.622 |
| Adjusted R-squared | -0.083671 | S.D. dependent var | | 149.4014 |
| S.E. of regression | 155.5262 | Akaike info criterion | | 13.10836 |
| Sum squared resid | 193507.2 | Schwarz criterion | | 13.16888 |
| Log likelihood | -63.54181 | Hannan-Quinn criter. | | 13.04197 |
| F-statistic | 0.305102 | Durbin-Watson stat | | 1.701667 |
| Prob(F-statistic) | 0.595792 | | | |

Source: Author computation

The table 12 Presents the regression results of net FII and S&P BSE Telecom sector returns, from that table we can identify the Probability value of net FII is 0.5958 percent. It is above 5 percent; this adversary the net FII has insignificant impact on significant sector returns. Thus, the FII's not impact on Telecom index returns. R-squared is 4 % it is very low level of influence on Telcom sector returns. Generally, other factors will highly influence the telcom sector returns.

Conclusion

India becomes one of the prominent emerging stock markets with evidence of various economic growth aspects of the country. The overseas investors are attracted by superior performance from the stock market in India. The FIIs increased funds into the stock market and direct the returns of Indian stock market; and also causes the fluctuations in major Indian stock indices of both BSE Sensex and NSE Nifty. The Net FIIs investment impacted greater on the NSE Nifty in comparison to BSE Sensex. The stock market returns in the study proved; the greater risk involved for higher returns. The study found that, FIIs held maximum holding in the non-governmental scrips than the governmental.

References

- [1] *Abdioglu, N., Khurshed, A., & Stathopoulos, K. (2013). Foreign institutional investment: Is governance quality at home important?. Journal of International Money and Finance, 32, 916-940.*
- [2] *Aggarwal, R., Klapper, L., & Wysocki, P. D. (2005). Portfolio preferences of foreign institutional investors. Journal of Banking & Finance, 29(12), 2919-2946.*
- [3] *Baillie, R T and Bollerslev, T.1991. Intra- day and Inter-market Volatility in Foreign Exchange Rates , Review of Economic Studies, 58.3., 567-585.*
- [4] *Baishali Agarwal (2016). —FII Inflows into Indian IPOs and its Impact on the Indian Stock Market, Emerging Economy Studies 2(1) 129–144 © 2016 International Management Institute SAGE Publications.*
- [5] *B.Bhagavan Reddy and M.Venkata Ramanaiah (2007) 'Volatility in Indian Stock Market with reference to BSE', Management Researcher, Vol XIII No4, April-June 2007.*
- [6] *Badhani, K. N. (2006). Empirical Regularities in the Intra-Week Trading Patterns of Foreign Institutional Investors in India. Available at SSRN 900501.*
- [7] *BAE, K. H., Yamada, T., & Ito, K. (2006). How do Individual, Institutional, and Foreign Investors Win and Lose in Equity Trades? Evidence from Japan'. International Review of Finance, 6(3-4), 129-155.*
- [8] *Batra, A. (2003). The dynamics of foreign portfolio inflows and equity returns in India. Indian Council For Research On International Economic Relations, Working Paper, 109.*
- [9] *Bekaert, G., Harvey, C. R., & Lundblad, C. (2001). Emerging equity markets and economic development. Journal of development Economics, 66(2), 465-504.*
- [10] *Bhattacharyya, A. K., & Vivek Rao, S. (2005). Agency costs and foreign institutional investors in India. Indian Insitute of Management Calcutta Working Paper, (548).*

- [11] *Biswas, J. (2005). Foreign portfolios investment and stock market behavior in a liberalized economy: An Indian experience. Asian Economic Review, 47(2), 221-32.*
- [12] *Bose, S., & Coondoo, D. (2004). The impact of FII regulations in India: A time-series intervention analysis of equity flows. ICRA Bulletin, 2(18), 54-83.*
- [13] *Brennan, M. J., & Cao, H. H. (1997). International portfolio investment flows. The Journal of Finance, 52(5), 1851-1880.*