



FDI, FII AND INDIAN STOCK MARKET: A CORRELATION STUDY

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ABSTRACT

With the advent of LPG policy in India, the Indian markets were opened for foreign capital to take the advantage of latest and upgraded technology and to maintain the equilibrium in Balance of Payment account. Foreign capital can enter into a nation by the route of Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII). The FDI is more advantageous for a particular nation rather than FII as the later has an easy exit route than the former. The current study is undertaken to study the correlation among the FDI, FII and Indian stock markets as the stock markets works as economic barometer of a nation. The S & P BSE SENSEX and CNX Nifty are taken to study the impact of flow of FDI and FII on Indian stock markets. The study shows that the flow of FDI has a high degree of positive correlation with SENSEX and Nifty whereas the flow of FII has a moderate level of positive correlation with SENSEX and Nifty.

Keywords: FDI, FII, NIFTY
