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## **An Empirical Analysis into Relationship between Foreign Institutional Investments (FIIs) and Stock Market**

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### **Abstract**

This paper makes an attempt to understand the relationship between FII and the Stock markets with the help of an empirical analysis. For the purpose of the study 5 stock market indices of the Bombay Stock Exchange have been considered which includes BSE Bankex, BSE Teck, BSE Healthcare, BSE IT, BSE Auto and BSE Oil and Gas. The six sectors were reported to have attracted the maximum FIIs in the recent years. The period selected for the study is 10 years from 1<sup>st</sup> January 2006 – 31<sup>st</sup> December 2015. Johansen's co-integration test revealed that FII and all of the six selected indices of BSE had a long these indices and FII move together. There is a unidirectional causal relationship flowing from BSE Auto, BSE Bankex, BSE IT, BSE Teck and BSE Oil & Gas to FII and there is no causal relationship flowing either from the Healthcare index to FII or from FII to Healthcare index. The results revealed a positive correlation between all the stock market indices and Foreign Institutional Investments.

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