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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

IMPACT OF FDI ON S & P NIFTY INDEX

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ABSTRACT

The paper investigates the impact of FDI on S & P Nifty Index. This paper employs Unit Root Test to test at which order of integration the variables turn to be stationery. Secondly the Granger Causality Test is employed to test the causation, thirdly the Co integration analyses is done to test the long run relationship between the variables and Vector Error Correction Model is used to check the short run relationship between the variables . Lastly the impact is analysed by employing Regression Analysis.The secondary time series data is collected from RBI hand book of statistics ranging from 1995-04 to 2014-03 being used for the analyses. And finds the macro economic variable fdi & nifty turn stationary at order nifty(0) & fdi (1). the fdi granger cause nifty at lag 20 months while their exist no long run relationship between nifty & fdi, further vecm discloses that their exist short run relationship between nifty & fdi. finally regression results reveal that their exist negative impact and the impact of fdi on nifty is insignificant.

KEYWORDS

FDI, NIFTY, unit root test, granger causality, VECM, regression analysis.

1. INTRODUCTION

The Efficient capital markets are essential for economic growth and prosperity. An integral part of capital market is the stock market, the development of which is linked with the country's level of savings, investment and the rate of economic growth. India's stock market has been classified as one of the fastest growing markets. India is the biggest and most liquid exchange in India and is a major source of capital formation in India. Local and foreign investor's confidence in the investment environment of India has boosted the stock market index in recent years. The developing countries are witnessing changes in the composition of capital flows in their economies because of the expansion and integration of the world equity market. The stock markets are also experiencing this change. Foreign direct investments (FDIs) are becoming important source of finance in developing countries including India.

It is generally recognized that a strong financial system guarantees the economic growth and stability. Stock market is an integral part of the financial system of the economy. It is a source of financing a new venture based on its expected profitability. The stock market is replica of the economic strength of any country. To boost investment, savings and economic growth, the development of stock market is imperative and cannot be ignored in any economy. In the era of globalization, FDI is a major source of capital inflow in most of developing economies where it bridges the gap of capital, technology, managerial skill, human capital formation and more competitive business environment.

The paper investigates the impact of FDI on S & P Nifty Index. This paper employs Unit Root Test to test at which order of integration the variables turn to be stationery. Secondly the Granger Causality Test is employed to test the causation, thirdly the Co integration analyses is done to test the long run relationship between the variables and Vector Error Correction Model is used to check the short run relationship between the variables . Lastly the impact is analysed by employing Regression Analysis.The secondary time series data is collected from RBI hand book of statistics ranging from 1995-04 to 2014-03 being used for the analyses.

The paper as customary is divided into different sections. Section 11 provides a brief overview of the literature, Section III highlights on research gap, Section IV need of the study, Section V importance of the study, Section VI scope of the study, Section VII research methodology, Section VIII objectives, Section IX Hypothesis, Section X data analysis and interpretation, Section XI finding, suggestion and conclusion. Section XII bibliography.

2. LITERATURE REVIEW

1. **Anokye M. Adam and George Tweneboah (2008)** examine the impact of Foreign Direct Investment (FDI) on stock market development in Ghana. The paper finds long-run relationship between FDI and stock market development in Ghana.The increase in FDI significantly influence the development of stock market in Ghana
2. **Ravi Subramanian et.al (2010)** The paper draws on the "eclectic" paradigm to study the impact of ownership, location and internalization variables on India's foreign investment. A sector wise analysis of mode of entry, intent of entry and geographic concentration has been performed. At an aggregate level, it has been found that acquisitions have been the predominant mode of entry for Indian firms investing abroad and seeking new markets the primary intent of investment. A regression model was also developed to understand the impact and relative importance of owndership variables such as distribution system, need for resources, factor of production, post sales service requirement, presence of IP and brand on foreign investment from India. It was found that high distribution expenses and need for resources had a very positive influence on foreign investment. The paper also discusses the key policy changes that impacted outward FDI from India in the last decade and relationship of outward FDI with other macroeconomic indicators such as GDP and Fischer Open Differential
3. **R.Karthik and N.Kannan (2011)** Results suggest positive impact of all macro economic variables on the stock market development of India. Among these are economic growth, domestic savings, and inflation rate.
4. **Syed Tabassum Sultana and S Pardhasaradhi (2012)** examine the relationship and impact of FDI & FII on Indian stock market using correlation and multi regression. Sensex and Ni fty were considered as the representative of stock market as they are the most popular Indian stock market indices. Based on 11 years data starting from 2001 to 2011,it is evident that there is a strong positive correlation between FDI & sensex and FDI & nifty and moderate positive correlation between FII & sensex and Using Multi regression two significant models emerged. In the first model Sensex as a dependent variable, both FDI and FII were found to be significant predictor. Similar results were obtained for second model Nifty as a dependent variable. Hence it can be concluded that the impact of flow of FDI & FII on Indian stock market is significant.
5. **Ali Raza et.al (2012)** The purpose of this study was to investigate the effect of foreign direct investment along with domestic savings, exchange rate and inflation in developing Pakistan stock markets in a rapidly changing political environment. This study applies Ordinary Least Square (OLS) method of

regression by using annual time series data for the period 1988-2009 in case of Pakistan to estimate empirical relationships among variables. The results disclose a positive impact of foreign direct investment along with other explanatory variables in developing Stock markets of Pakistan.

6. **Pooja Singh** (2013) examines the trend and pattern of FII and FDI flow in India. And also examines the relationship between FII and FDI with Sensex and Nifty. it is evident that there is a strong positive correlation between FDI and Sensex and FDI and Nifty. And moderate positive relation between FII and Sensex and FII and NIFTY
7. **Rahul Dhiman and Preeti Sharma (2013),** it is evident that there is strong degree of correlation between FDI & Sensex, and FDI & Nifty. regression analysis has proved the significant impact of the inflow of FDI on capital market.The study concluded that flow of FDI in India determines the trend of Indian Stock Market.
8. **Santosh Chauhan (2013),** attempt to find out the impacts of FDI, FIIs, and FPIs inflows on the movement of BSE and NSE The study was purely based on secondary data which were analyzed through Regression (OLS Model), Karl Pearson's correlation, Analysis of Variance, etc., and found that FDI affects the most both Sensex and Nifty up to 61 per cent and 86 per cent respectively and is associated highly and positively with both the markets with a score of 0.78 and 0.92 respectively according to the Karl Pearson's coefficient of correlation. However, the FPIs showed a very low impact on Sensex and a comparative high impact on NSE. During the study period the least significant factor with lowest impact on senex and nifty was FIIs.
9. **Vladimir arcabic et.al (2013)** The aim of this paper was to investigate the existence and characteristics of both the long- and short-term relationships between FDI and the stock market in Croatia. However, in the short run, upward movement on the stock market positively affects Croatian FDI stock, as events on the stock market signalize the vitality and investment climate of the domestic market to foreign investors. The long-term connection is tested by two cointegration approaches; the results of both models suggest the absence of a long-term relationship among observed variables, which may be explained by the lack of connection between FDI and economic growth in Croatia. The short-run relationship is investigated by a two-variable VAR model, and the results obtained are consistent with the theoretical assumptions, as the stock market did prove to be an important short-term determinant of FDI in Croatia.
10. **YOGENDRA SAMEER YADAV (2013)** concluded that FII do have any significant impact on the Indian Stock Market There is a positive correlation between stock indices and FDIs but FIIs didn't have any significant impact on Indian Stock Market. It showed the absence of linear relation between FII and stock index. This does not mean that there is no relation between them .One of the reasons for absence of any linear relation can also be due to the sample data. The data was taken on monthly basis.

3. RESEARCH GAP
Many researchers have employed many tools and analysed it, but with a different outlook here we have analysed a combined effect using unit root, granger causality, johansen co integration, vector error correction model and regression analyses to give an insight of a detailed technical analyses with empirical results.

4. NEED OF THE STUDY
To determine how the impact factor analyses helps in determining the stock index movements and earn speculative profits, facilitate in formulating policies.

5. SIGNIFICANCE OF THE STUDY
The analyse of the impact between FDI & NIFTY helps in determining the stock index movements and earn speculative profits, facilitate in formulating policies.

6. SCOPE OF THE STUDY
The study takes into consideration the time series secondary data of FDI and S&P NIFTY INDEX collected from RBI hand book of statistics and the period of study is from 1995-04 to 2014-03.

7. RESEARCH METHODOLOGY
This paper employs Unit Root Test to test at which order of integration the variables turn to be stationery. Secondly the Granger Causality Test is employed to test the causation, thirdly the Co integration analyses is done to test the long run relationship between the variables and Vector Error Correction Model is used to check the short run relationship between the variables . Lastly the impact is analysed by employing Regression Analysis.The secondary time series data is collected from RBI hand book of statistics ranging from 1995-04 to 2014-03 being used for the analyses.

8. OBJECTIVES OF THE STUDY
1. To investigate the causality between the FDI and S & P Nifty Index.
2. To analyse the log run relationship between FDI and S & P Nifty Index.
3. To determine the short run relationship between FDI and S & P Nifty Index.
4. To study the impact of FDI on S & P Nifty Index.

9. HYPOTHESIS OF THE STUDY
H_1	FDI Granger cause S & P Nifty Index.
H_0	FDI does not Granger cause S & P Nifty Index.
H_2	Their exist a long run relationship between FDI and S & P Nifty Index.
H_0	Their do not exist a long run relationship between FDI and S & P Nifty Index.
H3	Their exist a short run relationship between FDI and S & P Nifty Index.
H_0	Their do not exist a short run relationship between FDI and S & P Nifty Index.
H_4	Their is a positive impact of FDI on S & P Nifty Index.
H_0	Their is no positive impact of FDI on S & P Nifty Index.

10. DATA ANALYSES AND INTERPRETATION
In this section data analyses and interpretation is done using unit root test, garanger causality, johansen cointegration test, vector error correction model and regression analysis done in the following section.

UNIT ROOT TEST

AUGMENTED DICHY FULLER TEST (ADF)							
Description		LEVEL					
		NONE		INTERCEPT		INTERCEPT WITH TREND	
Sl no	Variable	t statestic	p value	t statestic	p value	t statestic	p value
1	NIFTY	-2.228874	0.0252	-3.539362	0.078	-5.968256	0.0000
2	FDI	1.131719	0.9333	-0.213003	0.9335	-2.601103	0.2803
PILLIP PERRON TEST (PP)							
Description		LEVEL					
		NONE		INTERCEPT		INTERCEPT WITH TREND	
Sl no	Variable	t statestic	p value	t statestic	p value	t statestic	p value
1	NIFTY	-3.418061	0.0007	-6.361459	0.0000	-10.31036	0.0000
2	FDI	1.204943	0.9415	-0.159300	0.9401	-2.546444	0.3056
(KPSS)							
Description		LEVEL					
Sl no	Variable	LM statistic	critical value	LM statistic	critical value		
1	NIFTY	1.60242	0.463000	0.285539	0.146000		
2	FDI	1.813419	0.463000	0.303289	0.146000		

AUGMENTED DICHY FULLER TEST (ADF)							
Description		FIRST DIFFERENCE					
		NONE		INTERCEPT		INTERCEPT WITH TREND	
Sl no	Variable	t statestic	p value	t statestic	p value	t statestic	p value
1	FDI	-11.57921	0.0000	-11.70981	0.0000	-11.73562	0.0000
PILLIP PERRON TEST (PP)							
Description		FIRST DIFFERENCE					
		NONE		INTERCEPT		INTERCEPT WITH TREND	
Sl no	Variable	t statestic	p value	t statestic	p value	t statestic	p value
1	FDI	-11.58477	0.0000	-11.65913	0.0000	-11.67793	0.0000
(KPSS)							
Description		FIRST DIFFERENCE					
Sl no	Variable	LM statistic	critical value	LM statistic	critical value		
1	FDI	0.118193	0.463000	0.33407	0.146000		

from the above analyses it is clear that the variables are stationary at order nifty (0) and fdi (1).

GRANGER CAUSALITY BETWEEN NIFTY & FDI

Pairwise Granger Causality Tests			
Sample: 1995M04 2014M03			
Lags: 20			
Null Hypothesis:	Obs	F-Statistic	Prob.
FDI does not Granger Cause NIFTY	208	2.80370	0.0002
NIFTY does not Granger Cause FDI		1.08377	0.3708

GRANGER CAUSALITY BETWEEN NIFTY & FDI

The granger causality test has been conducted to identify the causation. It has been found from the test that there is unidirectional causation & FDI does cause NIFTY. Therefore the present value of NIFTY has been caused by lag 20 value of FDI.

JOHANSEN CO INTEGRATION TEST

Sample (adjusted): 1995M09 2014M03				
Included observations: 223 after adjustments				
Trend assumption: Linear deterministic trend				
Series: NIFTY FDI				
Lags interval (in first differences): 1 to 4				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. Of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.124363	29.73058	15.49471	0.0002
At most 1	0.000517	0.115391	3.841466	0.7341
1 Cointegrating Equation(s):		**Log likelihood**	**-3263.885**	
Normalized cointegrating coefficients (standard error in parentheses)				
NIFTY	FDI			
1.000000	-0.500112			
	(0.04518)			

JOHANSEN CO INTEGRATION TEST

Even though that the test results reveals spurious results as it does not satisfy the rule of testing same ordered variables, to substantiate the results a cointegration analyses is done and it is found from the cointegration test that NIFTY & FDI do not have long run relationship at five percent significance level. If NIFTY index is increased by one time FDI will decrease by 0.500112 times. Therefore their is a inverse relationship between NIFTY & FDI.

VECTOR ERROR CORRECTION MODEL

Vector Error Correction Estimates		
Sample (adjusted): 1995M07 2014M03		
Included observations: 225 after adjustments		
Standard errors in ( ) & t-statistics in [ ]		
Cointegrating Eq:	CointEq1	
NIFTY(-1)	1.000000	
FDI(-1)	-0.497918	
	(0.04282)	
	[-11.6292]	
C	362.0079	
Error Correction:	D(NIFTY)	D(FDI)
CointEq1	-0.603123	-0.027616
	(0.08918)	(0.02280)
	[-6.76324]	[-1.21129]

VECTOR ERROR CORRECTION MODEL

it has been found from the results that the short run disturbance in long run relationship between NIFTY & FDI have been corrected in short period. The variable nifty & fdi identified as adjusting variables since sign of the variables is negative.

REGRESSION FDI ON NIFTY

Nifty=β_0 +β_1FDI$_t$ +U$_t$

Where

Nifty = Standard and Poor Nifty Index

FDI = Foreign Direct Investment

β_0 = Constant

β_1 = Slope parameter

U_t = Error term

Nifty = 2838.556 - 0.013 FDI

t = (22.322) (-0.202)

Sig =0 .000 0.840

R_2 = 0.000

VARIABLES			
Model	Variables Entered	Variables Removed	Method
1	DIFF(FDI,1)	.	Enter

a. All requested variables entered.

b. Dependent Variable: S P NIFTY INDEX

MODEL SUMMARY				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.013	.000	-.004	1915.88865

a. Predictors: (Constant), DIFF(FDI,1)

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	149155.283	1	149155.283	.041	.840
	Residual	8.259E8	225	3670629.319		
	Total	8.260E8	226			

a. Predictors: (Constant), DIFF(FDI,1)

b. Dependent Variable: S P NIFTY INDEX

COEFFICIENTS						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2838.556	127.163		22.322	.000
	DIFF(FDI,1)	-.139	.690	-.013	-.202	.840
a. Dependent Variable: S P NIFTY INDEX						

REGRESSION FDI ON NIFTY

it is found from the results that the model is not good fitted. the impact of fdi is negative, if fdi increases by one time the nifty will decreased by 0.013 times. since the **β_1** is not significant, the impact of fdi on nifty is not significant.

11. FINDINGS, SUGGESSIONS & CONCLUSION

FINDINGS

1. The Unitroot test states that fdi & nifty turn stationary at order nifty(0) & fdi (1).
2. The Granger causality conceal that fdi granger cause nifty at lag 20 months.
3. The vecm discloses that their exist short run relationship between nifty & fdi.
4. The Regression results reveal that their exist negative impact and the impact of fdi on nifty is insignificant.

SUGGESSION

The government can encourage FDI in India by taking various steps.

1. First and foremost measure may be the assurance of political stability in the country..
2. If the government seriously targets these macro economic variables, the stock market development will boost.
3. The study findings can be used to help government policy makers to encourage FDI and take various steps to provide incentives
4. Helps in formulating monitory policy
5. Domestic savings must also be encouraged in the country through appropriate and encouraging saving policies.
6. Policy makers should devise strategies to increase the FDI stock (retain FDI) and offer incentive for long investing and listing on the stock market.

CONCLUSION

the macro economic variable fdi & nifty turn stationary at order nifty(0) & fdi (1). the fdi granger cause nifty at lag 20 months while their exist no long run relationship between nifty & fdi, further vecm discloses that their exist short run relationship between nifty & fdi. finally regression results reveal that their exist negative impact and the impact of fdi on nifty is insignificant.

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