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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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CONTRIBUTIONS TO BOOKS
- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES
- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS
- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES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

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

IMPACT OF FII ON S & P NIFTY INDEX

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ABSTRACT

The paper investigates the impact of FII 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 monthly data is collected from RBI hand book of statistics ranging from 1995-04 to 2013-03 being used for the analyses. And finds the macro economic variable fii & nifty turn stationary at order nifty(1) & fdi (0). the nifty granger cause FII at lag 1 month while co integration reveals their exist no long run relationship between nifty & fIi, further vecm discloses that their exist short run relationship between nifty & fIi. finally regression results reveal that their exist positive impact and the impact of fii on nifty is significant.

KEYWORDS

FII, NIFTY, unit root test, granger causality, johansen cintegration, VECM.

1. INTRODUCTION

India is one of the biggest and fastest growing developing economies and has attracted the most investor attention in recent years. After liberalization of the Indian economy in 1991, it has become one of the hotspots for global investment. Foreign investment helped to boost India's economic growth and transformed several sectors of the Indian Industry into globally competitive entities India is also the world's second fastest growing economy and boasts of highly competitive private companies, a booming stock market, and a modern, well-disciplined financial sector.

Globalization and financial sector reforms in India have ushered in a sea change in the financial architecture of the economy. In the contemporary scenario, the activities in the financial markets and their relationships with the real sector have assumed significant importance. Since the inception of the financial sector reforms in the early 1990's, the implementation of various reform measures including a number of structural and institutional changes in the different segments of the financial markets has brought a dramatic change in the functioning of the financial sector of the economy. Altogether, the whole gamut of Institutional reforms connected to globalization program, introduction of new instruments, change in procedures, widening of network of participants call for a re-examination of the relationship between the stock market and the foreign sector of India.The analysis on stock markets has come to the fore since this is the most sensitive segment of the economy and it is through this segment that the country's exposure to the outer world is most readily felt.

The paper investigates the impact of FII 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 monthly 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 in Section II , 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. Krishna Reddy Chittedi (2008) analyzed the performance of the Sensex Vs.FIIs in Indian stock market. The study shows that the liquidity as well as volatility was highly influenced by FII flows. FIIs are significant factor determining the liquidity and volatility in the stock market prices.
2. Kumar Sundaram (2009) investigated the relationship between macroeconomic parameters like Exchange rate and foreign institutional investment with stock returns in India, in particular at National Stock Exchange. Found that both stock returns and exchange rate are integrated of order one. The Engle–Granger Cointegration test is then performed, suggesting that there is not a long-run equilibrium relationship between stock returns and exchange rates at 5% significance level. Moreover, there is no evidence suggesting that there is any causality relationship from the nominal exchange rate to the stock returns. Furthermore, FII data is found to be I(0) i.e. It doesn't have a unit root at conventional level. It also gives positive unidirectional Granger causality results i.e. stock returns Granger cause FII.
3. A.Q Khan and Sana Ikram (2010) This paper tests the efficiency of the Indian Capital Market in its semi-strong form of Efficient Market Hypothesis (EMH). The efficiency is tested in relation to the impact of Foreign Institutional Investors (FII's) largely on the Indian Capital Market (National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) that represent the Indian Capital Market have been taken.). The results suggest that the FII's do have significant impact on Indian Capital Market, which leads to the conclusion that Indian Capital Market is semi-strong form efficient.
4. Aamir Khan, Rohit, Siddharth Goyal, Gaurav Agrawal (2010) investigated the causal relationship between Nifty and FIIs' net investment for the period January, 1999 to February, 2009 using daily data. Correlation between FII and Nifty was the maximum in the bear phase as compared to all other phases. Further they found the causality between Nifty returns and FIIs net investment.
5. Rajeev K Shukla, Ajit Upadhyaya, Samiksha Jain (2010) The study provide a very clear picture of the impact of foreign institutional investors on Indian stock indices. Results of the study shows the linkages between the FIIs inflows and the performance of Midcap & Smallcap Indices are robust and significant. FIIs have significant impact on the share prices of the Midcap & Smallcap Indices companies and their active trading behaviour. Small and periodic shifts in their behavior leads to market volatility.

6. Renu choudhary and swati gupta (2011) It concludes that the FII do have an impact over the nifty but to be a lesser extent. The correlation between fii & nifty is 0.32 that can be considered positive yet negligible.
7. Vikram K. Joshi & Miss Richa Saxena (2011) attempts to analyze the impact of variation in FII on Sensex and to study the degree of relationship between them in various FII movement scenarios taking into consideration of secondary time series data of 2011 Financial year (i.e., January, February and March month). Only last quarter. it can be concluded that on an overall basis, when the relationship between Sensex vs. Total turnover & Sensex vs.Net investment exists and it is significant, it produces a positive impact in the Sensex as it starts moving up, but when the case is opposite, it tends to remain on a lower side. FII Investment when withdrawn up to a large extent causes the Sensex to fall just as it happened in the case of January & February. But if a proper balance between FII inflow & outflow is there, it prevents the BSE SENSEX from falling as evident from the case of March 2011.
8. P. Karthikeyan and T. Mohanasundaram (2012) focuses on the FII flows in India and its impact on Indian equity market viz. BSE, NSE and S&P CNX 500. The data used for the study is secondary in nature. The study period is 10 years i.e., from 2001 to 2010. The study shows that there is a positive relationship between the FII flows and Indian equity market performance but the impact is not significant. conclude that Indian equity market performance is not only depending upon FIIs but also other unexplained factors like domestic investors, inflation, interest rate, government policy etc.
9. K.MALLIKARJUNA RAO AND H.RANJEETA RANI (2013) the study it is inferred that there has been growing presence of the FII inflows in the Indian stock markets which is evident through the net cumulative investments and at times of recession there has been a decline in the inflows. It is also clear from the study that there is an increase in the number of FII registered with SEBI. Further the study shows the share of FII in different sectors of companies listed on NSE from 2007 to 2012. FII held the five highest stake of banks, followed by finance, Media & Entertainment, Information Technology and service sector. However, the FII share in Petro chemicals showed the least during 2007-2012. From all the discussions of the study, it is also visible that there has been no decline in FII inflows in IT & FMCG sector even during global recession of 2008 whereas as in all the other selected sectors, impact of recessions is quite visible.
10. 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.

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 Test, granger causality, johansen cointegration, 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 returns, impede in formulating policies.

5. SIGNIFICANCE OF THE STUDY
The analyse of the impact of FII on NIFTY helps in determining the stock index movements and earn speculative profits. facilitate in formulating policies and helps in selective macro economic variable in determining nifty index.

6. SCOPE OF THE STUDY
The study takes into consideration the time series secondary monthly data of FII and S & P NIFTY INDEX collected from RBI hand book of statistics and the period of study is from 1995-04 to 2013-03.

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 FII and S & P Nifty Index.
2. To analyse the log run relationship between FII and S & P Nifty Index.
3. To determine the short run relationship between FII and S & P Nifty Index.
4. To study the impact of FII on S & P Nifty Index.

9. HYPOTHESIS OF THE STUDY
H_1 FII Granger cause S & P Nifty Index.
H_2 Their exist a long run relationship between FII and S & P Nifty Index.
H3 Their exist a short run relationship between FII and S & P Nifty Index.
H_4 Their is a positive impact of FII 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 the proper procedure in this section.

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	0.608867	0.8472	-0.648968	0.8556	-2.823604	0.1905
2	FII	-3.951549	0.0001	-8.638141	0.0000	-9.750271	0.0000
PHILLIP 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	0.904861	0.9021	-0.402422	0.9052	-2.509820	0.3232
2	FII	-7.800436	0.0000	-8.912222	0.0000	-9.800899	0.0000
KWIATKOWSKI PHILLIPS SCHMIDT SHIN (KPSS)							
Description		**LEVEL**					
		INTERCEPT		**INTERCEPT WITH TREND**			
Sl no	**Variable**	**LM statistic**	**critical value**	**LM statistic**	**critical value**		
1	NIFTY	1.680658	0.463000	0.306266	0.146000		
2	FII	1.013112	0.463000	0.092481	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	NIFTY	-6.526397	0.0000	-6.640143	0.0000	-6.654050	0.0000
PHILLIP 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	NIFTY	-10.70237	0.0000	-10.76177	0.0000	-10.75079	0.0000
KWIATKOWSKI PHILLIPS SCHMIDT SHIN (KPSS)							
Description		**FIRST DIFFERENCE**					
		INTERCEPT		**INTERCEPT WITH TREND**			
Sl no	**Variable**	**LM statistic**	**critical value**	**LM statistic**	**critical value**		
1	NIFTY	0.100053	0.463000	0.038058	0.146000		

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

GRANGER CAUSALITY BETWEEN NIFTY & FII

Pairwise Granger Causality Tests			
Sample: 1995M04 2013M03			
Lags: 1			
Null Hypothesis:	Obs	F-Statistic	Prob.
FII does not Granger Cause NIFTY	215	37.5414	4.00E-09
NIFTY does not Granger Cause FII		10.3215	0.0015

GRANGER CAUSALITY BETWEEN NIFTY & FII

The granger causality test has been conducted to identify the causation. It has been found from the test that there is unidirectional causation & NIFTY does cause FII. Therefore the present value of FII has been caused by lag 1 value of NIFTY. i.e, by past one month data.

JOHANSEN CO INTEGRATION TEST

Trend assumption: Linear deterministic trend				
Included observations: 211 after adjustments				
Trend assumption: Linear deterministic trend				
Series: NIFTY FII				
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 *	0.094862	21.42096	15.49471	0.0057
At most 1	0.001852	0.391086	3.841466	0.5317
1 Cointegrating Equation(s):		**Log likelihood**	**-2481.9**	
NORMALIZED COINTEGRATING COEFFICIENTS (STANDARD ERROR IN PARENTHESES)				
NIFTY	FII			
1.000000	-76.06202			
	(12.5222)			

it is found from the cointegration test that NIFTY & FII do not have long run relationship at five percent significance level. If NIFTY index is increased by one time FII will decrease by 76.06202 times. Therefore their is a inverse relationship between NIFTY & FII.

VECTOR ERROR CORRECTION MODEL

Vector Error Correction Estimates		
Sample (adjusted): 1995M07 2013M03		
Included observations: 213 after adjustments		
Standard errors in ( ) & t-statistics in [ ]		
Cointegrating Eq:	**CointEq1**	
NIFTY(-1)	1.000000	
FII(-1)	-74.39589	
	(8.31067)	
	[-8.95185]	
C	-449.5904	
Error Correction:	D(NIFTY)	D(FII)
CointEq1	-0.014147	0.006103
	(0.00488)	(0.00158)
	[-2.89713]	[3.87081]
D(NIFTY(-1))	0.203266	-0.029526
	(0.08163)	(0.02636)
	[2.49020]	[-1.12027]

VECTOR ERROR CORRECTION MODEL

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

REGRESSION: IMPACT OF FII ON NIFTY

Nifty=β_0 +β_1FII$_t$ +U$_t$

Where

Nifty = Standard and Poor Nifty Index

FII = Foreign Institutional Investors

β_0 = Constant

β_1 = Slope parameter

U$_t$ = Error term

Nifty = **- 26.947+ 0 .555FII**

t = (-2.246) (9.749)

Sig =0.026 0.000

R_2 =0.309

REGRESSION: IMPACT OF FII ON NIFTY

VARIABLES ENTERED/REMOVED			
Model	Variables Entered	Variables Removed	Method
1	FOREIGN INSTITUTIONAL INVESTMENT	.	Enter

a. All requested variables entered.

b. Dependent Variable: DIFF(NIFTY,1)

MODEL SUMMARY				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.555	.309	.305	159.60195

a. Predictors: (Constant), FOREIGN INSTITUTIONAL INVESTMENT

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2420776.583	1	2420776.583	95.034	.000[a]
	Residual	5425702.723	213	25472.783		
	Total	7846479.305	214			

a. Predictors: (Constant), FOREIGN INSTITUTIONAL INVESTMENT

b. Dependent Variable: DIFF(NIFTY,1)

COEFFICIENTS						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-26.947	11.995		-2.246	.026
	FOREIGN INSTITUTIONAL INVESTMENT	1.643	.169	.555	9.749	.000

a. Dependent Variable: DIFF(NIFTY,1)

it is found from the results that the model is poorly good fitted. the impact of fIi is positive, if fii increases by one time the nifty will increased by 0.555 times. since the β_1 is significant, the impact of fii on nifty is significant.

11. FINDINGS, SUGGESSION & CONCLUSION

FINDINGS

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

SUGGESSION

1. Concentrate on the past one month data so that you can foresee the movement of nifty index
2. If the government seriously targets the selective macro economic variables so that the stock market development will boost.
3. The study findings can be used to help government policy makers to encourage FII and take various steps to provide incentives to attract them to our home country.
4. formulating effective monitory policy
5. Mobilising fii and creating market for Domestic products at national & international level.
6. encouraging FII flow in the country through appropriate and heartening saving policies.
7. Policy makers should devise strategies to increase the FII to quench the thrust of shortage of investment in developing countries.

12. CONCLUSION

the macro economic variable fii & nifty turn stationary at order nifty(1) & fdi (0). the nifty granger cause fii at lag 1 month while their exist no long run relationship between nifty & fii, further vecm discloses that their exist short run relationship between nifty & fii. finally regression results reveal that their exist positive impact and the impact of fii on nifty is significant. Therefore it is recommended to scrutinise the movement of FII so that it helps in determining the movement of nifty index.

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