

# PHILLIPCAPITAL (INDIA) PVT. LTD.

35, Langford Rd Cross, Bheemanna Garden, Shanti Nagar, Bengaluru, Karnataka 560027

## CERTIFICATE

This is to certify that **Mr.Mokshith S Gowda** bearing **USN 1IA16MBA24** student of **MBA, Acharya Institute of Technology, Bangalore** has completed his project on **“Foreign Institutional Investment and its relationship with Indian Stock Market”** in **PhillipCapital (India) Pvt Ltd, Bangalore”** from **15/01/2018** to **24/08/2018** for 10 weeks.

He has exhibited punctuality and diligence during the study period. We wish him good luck for his future endeavors.

Date: 19/04/2018

Bangalore.

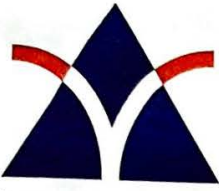
For PhillipCapital (India) Pvt Ltd.,



*[Handwritten Signature]*

For Associate Director.

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# ACHARYA INSTITUTE OF TECHNOLOGY

(Affiliated to Visvesvaraya Technological University, Belagavi, Approved by AICTE, New Delhi and Accredited by NBA and NAAC)

Date: 23/05/2018

## CERTIFICATE

This is to certify that **Mr. Mokshith S Gowda** bearing USN **1IA16MBA24** is a bonafide student of Master of Business Administration course of the Institute 2016-18 batch, affiliated to Visvesvaraya Technological University, Belagavi. Project report on “**A Study on Foreign Institutional Investment and its Relationship with Indian Stock Market at PhillipCapital India Pvt. Ltd, Bangalore**” is prepared by him under the guidance of **Prof. Monica M** in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belagavi, Karnataka.

Signature of Internal Guide

Signature of HOD

Head of the Department  
Department of MBA

Acharya Institute of Technology  
Soldevanahalli, Bangalore-560 107

Signature of Principal

PRINCIPAL

ACHARYA INSTITUTE OF TECHNOLOGY  
Soldevanahalli Bangalore-560 107

## DECLARATION

I, **Mokshith S Gowda**, hereby declare that the Internship report entitled " Foreign Institutional Investment and its relationship with Indian Stock Market" with reference to "Philip Capital India Pvt Ltd #35, Langford Rd Cross, Bheemanna Garden, Shanti Nagar, Bengaluru, Karnataka 560027" prepared by me under the guidance of "**PROF.MONICA M**", faculty of M.B.A Department, Acharya Institute of Technology and external assistance by "**Mr. Girish Kumar**, Associate Vice President, Philip Capital India Pvt Limited.

I also declare that this Internship work is towards the partial fulfilment of the university regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belgaum.

I have undergone a summer project for a period of Ten weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University / Institution.

Place: *Bangalore*

Date: *29/05/18*



Signature of the student

## ACKNOWLEDGEMENT

It's my pleasure to offer my deep gratitude to AIT Principal **Dr. Sharanabasava Pilli**, this project wouldn't be possible without the constant support and help of individuals and organizations. I would like to pull out my honest thanks to **Dr. Mahesh**, Dean Academics for his constant support.

I am very grateful to **Dr. Nijaguna, HOD**, MBA Department of AIT and followed by **Mr. Girish Kumar, Associate Director PhillipCapital India Pvt Ltd** for their assistance and regular control as well as for as long as necessary information regarding the project & also for their support in completing the project. I am also thankful to **Prof. Monica M**, Assistant Professor, Acharya Institute of Technology for allowing and aid in the winning completion of the study.

I would like to convey my thankfulness towards my parents & member of **PhillipCapital India Pvt Ltd**, for their kind co-operation and support which help me in finishing point of this project. I would like to convey my special thankfulness and thanks to industry persons for giving me such interest and time.

My thanks and appreciations also go to my colleague in developing the project and people who have eagerly helped me out with their ability. I would like to thank all the people who gave their precious time I am also thankful to classmates who supported me throughout my study. I wish to extend my genuine thanks to all the **Staff Members** and **Non-technical Staff Members** of the **Department of M.B.A, Acharya Institute of Technology** who gave me the moral hold up.

Mokshith. S. Gowda

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## **EXECUTIVE SUMMARY**

The introduction of Foreign Institutional Investors was done in the year 1995 according to the SEBI regulations. The impact of FII's on Indian Stock Market catalogs BSE Sensex and NSE Nifty are analyzed in many different conducts by different authors concluding that there is an impact of Foreign Institutional Investors in Indian Stock Market. This research helps us to know the consequence of FII's on Indian Stock Market by selecting the monthly net flow of FII's and monthly closing prices of BSE Sensex and NSE Nifty for the period of 5 years. The research was conducted in the company named PhillipCapital Indian Pvt Ltd which is a financial intermediary with a comprehensive existence offering full assortment of financial services to the clients. The study in the company also helped to recognize the mutual relationship between Indian Stock Market and Foreign Institutional Investors. The primary initiative of the research is to examine the influence of FII's on Indian Stock Market.

Throughout the study it was clearly known that there is an impact of Foreign Institutional Investors on selected indices, BSE Sensex and NSE Nifty. The coefficients between FII and both BSE Sensex & NSE Nifty showed low degree positive correlation which meant that the rise in FII Net Flow would also lead to the rise in the price of both BSE & NSE stock indices.

Hence we can come to the conclusion that FII Net Flow and the stock indices BSE Sensex and NSE Nifty are directly proportional to each other which shows there is a significant relationship between them in the Indian Stock Market.



# 1. INTRODUCTION

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## 1.1 Introduction about Internship

The investigation relates to India, which is one of the quickly developing markets on the planet. India is a proper case for leading such an examination, as portfolio speculation has turned into the prevailing way of outside interest in the Indian economy. India changed its money related market and enabled FIIs to take an interest in their household showcases in 1992. The National Stock Exchange was propelled in 1992 and FIIs were likewise allowed to put resources into Indian market in September 1992. In light of this the reference period for the examination to explore the effect of FIIs on securities exchange in India has been taken from January 2005 to December 2015.

In this globalized age huge measure of capital is put into creating economies from created world. Noteworthy measure of these speculation are purchased to creating economies by the method for portfolio ventures by outside institutional financial specialists (FII). The causes and advantages from such remote ventures, in any case, differ from nation to nation. Outside Investment can influence the factor profitability of the beneficiary nation and furthermore shape the adjust of installment. In creating nations like India there has been a felt requirement for remote capital, to support the profitability of work as well as help to working up the outside trade saves expected to meet out exchange deficiencies. Remote ventures give a heading through which creating nations can access outside capital for their monetary creating.

During the project period at Philip Capital India Pvt Limited I experienced many things such as,

- This project has given me the opportunity to understand the stock market and its working.
- I learnt about FOREIGN INSTITUTIONAL INVESTMENT, its advantages and disadvantages to the economy in general.
- With the help of the employees in the firm I learnt about the working of a brokerage firm and how professional expertise is being capitalized by the investors in decision making.
- I had the chance to observe the live fluctuations in the market and the stock prices and how the investor reacts to those fluctuations.
- In the due course of my internship program in the company, I became aware of the problems faced by the investors and the brokerage firm.
- From the interactions I had with the employees of the company I got to know the company's HR policies, Marketing policies and Financial policies.
- With the guidelines of my external guide I had to open a Demat Account of an investor and verify the documents submitted by the investor.
- In the period of my internship I had to open a Demat Account myself and trade upon a stock in the market which made me analyze and learn about the trading and brokerage aspect of the stock market.
- The employees in the firm taught me about the effect of Government regulations/policies on the stock market and the reactions of the brokers and the investors.

## 1.2 Industry Profile

### History of Indian Stock Market:

Indian securities exchange etchings to be a champion among the most arranged securities exchange Asia. It retreats to the complete of eighteenth century when the East India Company used to execute credit securities. In the 1830s, exchanging on corporate stocks and offers in Bank and Cotton presses occurred in Bombay.

Despite the fact that the exchanging was expansive however the merchants were not really about six amid 1840 and 1850.

. BSE was moved to an old working near the Town Hall. In 1928, the plot of touch base on which the BSE creating now stays (at the intersection purpose of Dalal Street, Bombay SamacharMarg and Hammam Street in downtown Mumbai) was picked up, and a building was produced and had in 1930.

Premchand Roychand was a fundamental stockbroker of that time, and he assisted with setting out traditions, customs, and techniques for the trading of stocks at Bombay Stock Exchange and they are so far being taken after. A couple of stock broking firms in Mumbai were family run endeavors, and were named after the pioneers of the family. The going with is the once-over of a segment of the basic people from the exchange, and who are so far keeping up their specific business:

- D.S. Prabudhas & Company (now known as DSP, and a joint venture partner with Merrill Lynch)
- Jammnadasa Morarjhee (now known as JM)

- Champahklal Devidasa (now called Cifco Finance)
  - Brijmohana Laxminarayana
- i. **National Stock Exchange:** National Stock Exchange consolidated in the year 1992 gives exchanging the value and also obligation advertise. Most extreme volumes occur on NSE and subsequently appreciate administration position in the nation today.
  - ii. **Bombay Stock Exchange:** Bombay Stock Exchange then again was set up in the year 1875 and is the most established stock trade in Asia. It has developed in to its present status as the chief stock trade.

### 1.3 Company Profile

Phillip Capital since its start in the year 1975 has created as a planned Asian money related house with an overall proximity that offer a absolute extent of value and ground-breaking administrations to its customers. Phillip Capital (with headquarters in Singapore) works on the cash related focus purposes of 16 nations. The total suite of budgetary items and organizations fuses subsidize administration, administered accounts, unit confides in, protection assurance, typical sparing assets, contracts for difference, exchange traded resources, speculation inquire about, esteem financing, property; and valuable metals and items. Associations can in like manner advantage from the organization's corporate reserve and admonitory organizations and in addition information innovation plan and arrangements.

Phillip Capital India Pvt Ltd. main branch in Mumbai is a financial transitional association which offers securities trade exchanging, spread of Margin Funding for retail/corporate clients and furthermore. Phillip Capital gathering has encounter across over market and item segments and with the heritage of Phillip Capital Group, hopes to confer powerful answers for Institution

and Retail Clients. Their experience and aptitude giving top-class fiscal related administrations to our customers persistently for purposes of intrigue.

Phillip Capital are among the top intermediaries on the local bourses in the backups showcase and are one of the leading expert specialist co-op for access to territorial item fates over their get-together association Phillip Commodities India Pvt Ltd. They have worked broadly with institutional clients in exchange help transversely asset module. With more than 3,500 representatives and more than 1 million clients around the globe, the organization's benefits under Custody/Management general USD 29 billion and Shareholders' assets in wealth of USD 1 billion.

With in excess of 3,500 representatives and more than 1 million customers around the world, our Assets Under Custody/Management overall USD 29 billion and Shareholder's assets in overabundance of USD 1 billion.

## **1.4 Vision, Mission and Goals**

- **Vision**

To be a share of incorporated Asian Financial Line with a universal incidence using Data Technology and Dissemination as our core competences in the endowment of financial amenities.

- **Mission Statement**

To give a competitive faction of significant worth and creative monetary administrations for the individual, institutional and corporate customers. We plan to be ur guide in making the interrelationship in the light of trust, straightforwardness and respectability.

- **Goals**

1. To grip openings and relentlessly conform personally to the necessities of our clients.
2. To increase the value of our administration and deliver high gauge involvement to our customers.
3. To be one of the favored broking houses in India transversely all client sections.

## **1.5 Products and Services**

Phillip Capital (India) Pvt Ltd. comprehends the one of a kind business prerequisite of every one of its customer and tailors its items and administrations to meet those necessities. They offer a whole range of venture items to both Corporate and Institutional Clients.

### **Products:**

**PhilipCapital** is a full administrations broking and warning house consolidating the best of custom with innovation offering customary merchant helped exchanging to Institutional and Corporate customers.

They are individuals with all real national Exchanges in the nation i.e. NSE, BSE, BGSE, in their particular sections, empowering them to offer exchanging:-

- Commodity Derivatives
- Stock borrowing and lending.
- New IPO Listing.
- Currency options and futures.
- Customized hedging.
- Arbitrageur for value plus product.
- Future based trading.

- Insurance policy keeping
- Property and Financial Advising
- Algorithmic derivatives trading.
- Investment management.

**Services Rendered:**

Phillip Capital India gives a far reaching scope of venture and exchanging warning, execution and clearing administrations to FIIs, MFs and Corporate and so on. The real administrations of the stock financier foundation are:

- Institutional Customer Chain.
  - Trade Customer Chain.
  - Career Association Chain.
  - Private Customer Group.
  - Inetrnet/Web Exchanging.
  - Clearing House Assistance.
  - Guardian Client Assistance.
  - Equity Researches.
  - Monetary Researchs.
- Non Resident Assistance.

## **1.6 Area of Operation**

**PhilipCapital** since its birthplace in 1975 has developed with a worldwide nearness which leads its tasks in the budgetary center point of 16 nations (with home office in Singapore) with the extensive variety of money related items and administrations like Equity, Commodity, Currency, Fixed Income and so forth to Retail, HNI to both Institutional and Corporate customers. With in excess of 3,500 representatives and more than 1 million customers around the world, our Assets in the control of Management overall USD 20.18 billion and Shareholder's assets in abundance of USD 1.5 billion.

### **Infrastructural Facilities**

- **R&D**

**Philip Capital** has a devoted group of experts gaining practical experience in stocks exchanging. The group contains examiners from various fields, for example, financial matters, horticulture science, insights, and fund among others. This assorted labor blend causes them to complete a multi viewpoint examination of all stocks and channel the data according to the term of the exchanging call. The group is prepared to serve both corporate and institutional customers. The organization look into depends on essential studies, communications with physical market players, crucial, subsidiaries, specialized and factual investigation, giving it a feeling of fulfillment.

- **Training Facilities**

Brilliance in organization and encourages game plan fundamentally in charge of Infrastructure advancement through preparation of organization. The organization likewise gives preparing offices to the administration students to upgrade their insight in the money related and financier field.



## **1.7 Competitors Information**

### **1. Karvy Stock Broking Limited**

- Equity Broking Services.
- Depository Participant Services.
- Wealth Management Services.
- Karvy Fortune.
- Forex & Currencies.

### **2. India Bulls**

- India Bulls Depository Services.
- IPO Online Services.
- Equity Analysis.
- NRI Trading.

### **3. Share Khan**

- Fundamental Research.
- Portfolio Management Services.
- Technical Research.
- IPO Flash
- Equity and Derivatives Trading.

### **4. Motilal Oswal**

- Institutional Equity.
- Property Advisory.
- Portfolio Restructuring.
- Currency and Commodities.

## 5. Geojit

- Equity Trading.
- Currency Futures.
- Insurance.
- Mutual Funds.
- Asset Management.

### 1.8 SWOT Analysis with respect to Philip Capital



#### Strengths

- PhilipCapital possesses the expertise not to mention powerful ground work team.
- PhilipCapital has powerful capital administration.
- PhilipCapital offers significant number of financial products moreover concentrate on top quality market players.
- PhilipCapital possesses highly specialized with dedicated workforce.
- PhilipCapital features onlinestock trading amenities to potentialcustomers.

## **Weakness**

- Less penetration in working on towns.
- Lack of promoting plan brings about reduced consciousness within traders.

## **Opportunities**

- Earning Town Youngsters searching for money making possibilities.
- Growing alertness with regards to mutual funds and stock exchanges.
- Good client foundation moreover optimistic perspective of individuals in the direction of financial products.
- Growing countryside sector as a result of modified including less expensive assistance.

## **Threats**

- Uncertainty of the market and existing customers.
- Stringent Economic measures by Government and RBI.

## **1.9 Future Growth Prospectus**

Philip Capital is bullish in web based exchanging for future development of its business. The organization's web based exchanging turnover grew 65 for each penny in year and a half consummation FY16.

Accordingly, online trading as percentage of total turnover more than doubled and formed 39 per cent in the same period.

"The fundamental explanation behind a lofty development was our emphasis on innovation to convey a better computerized understanding than our client. This has happened when the general turnover at the business level has been pretty much level," Vineet Bhatnagar MD and CEO — Broking and Distribution, Philip Capital India Pvt Limited said. He expects a comparative development in the following 2-3 years and anticipates that it will touch 60 for every penny of aggregate turnover. Offer of web based exchanging for the business has gone up from 28 for each penny of retail advertise turnover in FY08 to very nearly 53 for every penny in FY2016.

The organization right now has more than 160 individuals in its IT group and a similar will be 200 by FY17-end. The organization trusts it has made a sizeable help group for its internet exchanging stage. The organization's IT spending bounced 50 for every penny and framed 8-10 for every penny of its broking incomes in FY16. It sees IT spending growing 25 for every penny in FY17 and the same is seen touching 12-14 for each penny of incomes in the following three years.

"We intend to present new things, for example, tweaked involvement to customers, pre-bundled productized guidance, robo-warning models to retail customers, and propelling of

android versatile applications for internet exchanging of the clients soon said Dineesh Kapoor,  
Vice-President, Philip Capital India Pvt Limited.

## 2.10 Financial Information

### Income Statement of Philip Capital as on 31.03. 2015 to 31.03.2017

Particulars	Mar'17	Mar'16	Mar'15
<b>Incomes</b>			
Interest Earned	55011.28	53725.6	41725.2
Other Income	5325.32	5440.30	4123.67
<b>Total Income</b>	<b>60336.6</b>	<b>59165.9</b>	<b>45848.87</b>
<b>Expenditures</b>			
Interest expended	34328.66	34122.56	30705.23
Employee Cost	4336.44	4302.34	3762.83
Depreciation	172.33	506.13	342.87
Operating Expenses	7523.72	7382.65	6182.03
Provisions & Contingencies	9826.84	4375.75	4685.25
<b>Total Expenses</b>	<b>56187.99</b>	<b>50689.43</b>	<b>45678.21</b>

**Balance Sheet of Philip Capital as on 31.03.2015 to 31.03.2017**

<b>Particulars</b>	<b>Mar'17</b>	<b>Mar'16</b>	<b>Mar'15</b>
<b>Capital &amp; Liabilities:</b>			
Total Share Capital	622.99	525.20	511.26
Equity Share Capital	622.99	525.20	511.26
Reserves	25615.55	25978.18	24110.60
Net Worth	26158.54	26453.38	24212.86
Deposits	479791.56	473840.10	420811.82
Borrowings	26873.32	25671.57	27320.64
Total Debt	506664.88	499511.67	448101.46
Other Liabilities	14692.70	16629.66	14428.29
<b>Total Liabilities</b>	<b>546258.35</b>	<b>568572.89</b>	<b>510884.25</b>
<b>Assets</b>			
Cash & Balance	20552.05	22135.95	22182.79
Balance with banks	36123.61	26773.14	22764.93
Advances	324825.82	330125.15	301087.48
Investments	142403.30	145436.18	126938.26
Gross Block	7209.10	7103.45	6752.56
Revaluation Reserves	5333.66	5504.85	5528.25
Net Block	1862.44	1642.60	1245.31
Other Assets	22126.89	17038.32	12667.85
<b>Total Assets</b>	<b>560436.87</b>	<b>555759.64</b>	<b>499167.21</b>

## **2. Conceptual Background and literature review.**

### **2.1 Theoretical Background**

#### **Meaning of Investment:**

Theory is a conscious show of an separable or a affluence that integrates connotation of money (cash) in refuges or assets issued by a budgetary formation with a view to obtain marked profits over a specific phase allotment.

Theory has two attributes particularly period and risk. Acquaint use is surrendered with get a landing later on. The relinquish that must be borne is certain yet the entry later on may be uncertain.

- **Investing versus financing**

The term "contribution" may be related to a definite exercise. In any event, the focus of the factory in these exercises is to "use" cash (hold) when trying to raise the budget master's wealth. Starting with reasonable resources to provide funding, access to cash and resources, and through the up-front use of today and contributing to their savings, analysts may wish to improve their potential future use of results by developing their wealth.

True blue and money related theory. The true blue twists generally add a free resource, such as arrival, equipment, care for plants, and so on. Currency-related theories integrate paper or electronic forms of contracts in this way, such as stocks, securities.

Currently, companies raise funds by issuing shares and securities. These securities exchange budget market theory has two characteristics, especially time and risk. Familiar with use will surrender when landing later. The abandonment that must be undertaken is affirmative, but later admission may be uncertain.

Scholars may purchase or provide securities issued by affiliates. According to needs, these scholars and affiliates have selected a virtually identical place - money market - for financing. The areas behind research and practice companies have consolidated the relationship between companies and money markets, and research and practice in the investment field have merged the correspondence between scholars and currency-related markets. In addition, the speculative field is separate from the company's stores, using material methods for research and central experts. All considerations of the tortuous problem consider the quantitative inspection and the method of proof.

The subjective framework together with the quantification strategy are more reliable to smash the soul of the enterprise. Scholars have the possibility to purchase or provide securities issuance opportunities.

- On top of storm, the duration is assumed to be reasonably expected to be used in many situations. Theory can describe speculation in a similar way. In any case, it is related to short-lived winds, and in most cases, they will accelerate the acquisition of attractive securities, and their costs will increase rapidly, resulting in rapid and good position. Scientists try hard to buy low prices and provide high prices.
- Their key is to counter and profit by reporting changes. In any case, since the adjustment of the currency-related market is ultimately an odd-numbered assumption that can be expanded, it is monitored as the most dangerous effort. Surprisingly, one hypothesis relies on inspections, and its key goal is to ensure that the total amount of supervision is safe and that satisfactory risks are earned. There are two types of investors:

1. Individual investors.



Private Traders are people that are trading by themselves. At certain times individual investors are called retail investors.

## 2. Institutional investors.

Institutional Traders are organizations which includes investment organizations, industrial banking institutions, insurance providers, pension funds as well as other finance companies.

### **Direct versus Indirect investing**

- Financial specialists can use immediate or roundabout kind of contributing. Coordinate contributing is recognized using cash related markets and circuitous contributing incorporates money related agents. The basic qualification between these two sorts of contributing is that applying direct benefactors buy and offer money related assets and manage solitary wander portfolio themselves. Hence, contributing particularly through budgetary markets examiners go out and go for broke and their productive commitment depends on their cognizance of money related markets, its varieties and on their abilities to breakdown and to evaluate the wander and to manage their theory portfolio by putting assets in private value and securities.
- Opposite, using aberrant kind of contributing examiners are obtaining or offering budgetary instruments of money related go-betweens which put significant pools of benefits in the fiscal markets and hold portfolios. Aberrant contributing quiets the budgetary authorities from settling their decisions upon their portfolio.
- As shareholders with the proprietorship excitement for the portfolios administered by money related delegates the theorists are fit the bill for their share of benefits, premium and capital increases created and pay their share of the foundation's cost and portfolio organization costs.

The hazard for the money related authority using roundabout contributing is associated more with the legitimacy of picked foundation and the approach of portfolio directors.

- In general, aberrant contributing is more important with the budgetary foundations which are in a general sense in the matter of putting assets into and managing a course of action of securities. By pooling the benefits of thousands of examiners, those associations can offer them a variety of organizations, notwithstanding improvement, including capable organization of their budgetary assets and liquidity. A strategy for putting assets into land without truly placing assets into the property. Circuitous wander ought to be conceivable from various perspectives, including securities, resources, or private esteem. Most examiners are enthusiastic about deviant wander would do in that capacity through an association or advisor who has inclusion in this kind of contributing.
- Speculators can "use" their benefits by performing direct trades, by passing both budgetary associations and cash related markets. Regardless such trades are astoundingly dangerous, if a considerable measure of money is exchanged just to one's hands, taking after the eminent American saying "don't put all your investments tied up on one place".
- Devious contributing suggests a method for putting assets into unique state without really setting resources into the property. Abnormal meander should be possible from alternate points of view, including securities, assets, or private regard. From the inverse side, arrange trades in the associations are altogether limited by laws avoiding credibility of tax avoidance.
- **Types of investing and alternatives for financing**

Through the use of cash-related markets to issue and provide their securities, the Association can clearly obtain primary support from ordinary open (excessive cash individuals). Again, they can obtain funds through the use of general public advice about money-related

foundations. More importantly, these organizations receive subsidies by allowing ordinary people to maintain theories such as bank investment accounts and store certificates.

## **2.2 Elaborative Information about the topic**

### **Foreign Institutional Investment**

Remote Institutional Investment is an element built up or fused outside India that proposes to put resources into India. Elements and assets that are qualified to get enrolled as FII are recorded underneath:

- Pension Funds
- Mutual Fund Holding.
- Insurance Corporations.
- Investment Trusts
- Banking Institutions.
- International or multi-lateral Organizations etc.

### **ELIGIBILITY OF AN FII**

As indicated by 1995 directions, no individual can purchase, offer or generally bargain in securities as a remote established financial specialist except he holds a declaration conceded by SEBI (Securities and Exchange Board of India).

The declaration would be given to the FII only after considering the following;

- The candidate's reputation, proficient record, proficient ability and general notoriety for reasonableness and honesty.
- Whether the candidate is directed by a remote administrative specialist.
- If the candidate has been conceded consent under the arrangements of FEMA (Foreign Exchange Management Act)
- No matter whether,
- Some organization set up in addition joined outside India while annuity reserve, shared store or venture trust.
- An resource administration organization or chosen one organization or banking organization or institutional portfolio administrator, built up or fused outside India and proposing to make ventures India in the interest of board based assets.

The affirmation of FII is solid for a long time from the date of its enlistment. Arrangements are made for recharging of the declaration. FII reestablishment enrollment expense is US\$1000.

## **CUSTODIANS**

FII's need to delegate an organization as overseer. They bargain in the securities and are in charge of detailing. Records must be kept up consistently. Semi-yearly reports ought to be put together by the overseer to SEBI (Securities and Exchange Board of India) and RBI (Reserve Bank of India).

SEBI can lead coordinate reviews on the bookkeeping books of an enrolled FII. A FII is allowed to delegate in excess of one household caretaker with earlier endorsement of the board, yet just a single overseer might be selected for a solitary sub-record of FII's.

## INVESTMENT AND FIIs

As indicated by SEBI, the FIIs can put resources into securities in essential and optional market together with debentures, shares, warrants of associations, unlisted, recorded or to be recorded on top of a perceived stock trade in India.

The following with respect to FIIs should also be noted:

- FIIs should never spend money on equity in excess of 10% of the entire granted investment of an Indian business.
- Investment instead of sole sub investment option are not supposed to overcome 10 per cent of the declared resources of an Indian company.
- For the sub account registration under foreign syndicates or specific classifications, the investment parameter is fixed at 5% of the total raised capital.
- .
- There are separate limits for FII investment in the 70:30 per cent route and 100 per cent. Further limits differ for government debt and corporate debt. The limits are revised now and then.
- SEBI has fixed position limits for stock and index derivatives. FIIs position limits in interest rate derivative contracts are also determined by SEBI.

## 2.3 Review of Literature

**Amita Batra (2003)** believes that FII's trading behavior and biases do not seem to have a destabilizing effect on the stock market. In principle, if a ready-made assessment survey is any development of the eccentric stability of the Indian Stock Exchange on the Indian Stock Exchange after the start of the currency-related progress system

**Bai & Gren (2011)** checked the determinants of pass by sectional inventory return versions in restoring sectors together with pointed out that modification regular moreover swelling in sync can simplify 58 per cent of unadulterated nation impacts.

**Bansal & Pasricha (2009)** assessed the influence of market launching to FIIs on Indian securities exchange perform. They experimentally split of the positive changes in promote return and unpredictability after the extract of FIIs to Indian capital market. They inferred that whilst FII also securities exchange usual earnings were not relevant, uncertainty used to be favourably decreased in view of FII.

**Chousa (2008)** explored to evaluation no matter whether securities swaps are essentially considered to be target in of every singular theoretical phase, or regardless these include significantly prepared to pull solid amount FDI as cross-outskirt mergers and acquisitions exercises. They linked mutual relapse strategy by layer nine driving rising economies for the time of 1987-2006. They found a solid positive effect of securities exchanges on cross fringe mergers and acquisitions arrangements and qualities

**David et al. (2004)** inspected that complete size financial factors similar to recent report excess including greater loan fees are usually in control of reinforce. Not to mention, it had a remarkably exclusively type esteemed at customary with the devised exchanges.

**Dhamija, Nidhi. (2007)** examined that the expansion in the volume of outside institutional venture (FII) inflows as of late has prompted concerns with respect to the instability of these streams, danger of capital flight, its effect on the securities exchanges and impact of changes in administrative administrations.

**Foley (2005)** inspected to comprehend the connection between out bound FDI and levels of local capital development through relapse investigation for a significantly more extensive example of nations for the 1990s and reasoned that it had been normal to expect that remote venture was presented at the cost of local speculation.

**Gordon and Gupta (2002)** concentrated those slacked residential securities returns are a fundamental determinant of FII streams. FII streams don't have a colossal effect in growing instability of stock returns as indicated by the reviews endeavored by Harvey and Bekaert (1998).

**Haw, Hu, Hwang and Wu (2004)** separated those affiliation level parts since information asymmetry issues to FII. Their investigation document set up that US meander is lower in associations where heads don't have persuading power. Outside meander in associations that

seem to appreciate additional pay association is inferior in nations with poor information structure.

**K.P.Prabheesh (2008)** Focusing on the proximity of the FII flows and the midpoint of the stock, the FII flow is subsequently driven by stock returns.

**Kumar Sundaram (2009)** analyzed so that there is no easygoing reliance between the apparent swapping scale and the stock midpoints and FII do not encompass single root at standard stage and it moreover delivers constructive directional Granger easygoing results.

**Li and Jing-Bon (2004)** The concentration shows that distance scholars tend to avoid more places to cross the company's stock. They have already stipulated that FII is likely to become a capable open record processor and is pulled into a Japan organization with low information asymmetry..

**Loomba, J. (2012)** The evaluate makes sure the habits of the FII dealing furthermore its effect on the Indian stock market. He spotted that in the whole method of capital markets, foreign capital happens be an extremely massive source of resources, including institutional investors are acquiring their hold sway over in market progress.

**Morin and Nanda (2000)** Focused on the Indian representative association and the influence of India



Holds FII equity. They stated that India has experienced a rapid transformation of its back-office related structure. The new demarcation has broken through the standard procedures of cross-holding and strengthened the arrival of FII, which also interacts with the new system and requires valuable business associations.

**Mukherjee (2002)** analyzed that however FII streams to and from India are inside and out altogether affected by the local market; the latter is not basically affected by variety in these streams. They in like manner additionally became acquainted with that isolated from the entry in the local market there are diverse covariates of such streams.

**P. Mishra, K. Das, B.B. Pradhan (2010)** analyzed in order that however FII inflows to and from India cause real economic advancement of the economy. This research provides the proof that net FII streams in the residential value advertise affected by variety in these streams of India altogether determining the quantity of portfolio institutional stake in the nation.

**Pall, P. (2004)** researched that FIIs are the certifiable troupe in the securities exchange in addition to their induce on the people market is augmenting. Swapping exercises of FIIs as well as the community securities revenue monitors that FIIs are winding up at the frame as a raised share of securities exchange returns is settled by FII exchanging India.

**Prasanna (2008)** analyzed the dedication of outside institutional venture, particularly among organizations joined into BSE Sensex. The association between remote institutional wander and firm exact qualities in regards to ownership structure, monetary organization, and stock

execution, was furthermore inspected. It is watched that outside financial specialists put additional in organizations with an amassed volume of shares controlled by the regular open.

**Rajesh Chakrabarthy (2001)** The study found that compared with local investors, the FII flow is closely related to the value return, while the Indian FII does not appear to have an enlightening disadvantage in India.

**Rajkumar & Gupta (2010)** concentrated that the primary driving forces of FII inflows are included with, hazard at Sensex, return at Nifty and credit expense are exceedingly connected to the FII net inflows. Average profit at Nifty has basic impact on the FII inflows went out on a limb at Sensex.

**Rajput et al. (2012)** checked the Indian Stock Exchange's figures and unpredictable floods during the 1992-2011 period. In principle, if a ready-to-use review is conducted on the Indian stock exchange after the commencement of the Indian currency-related progress system, the stability of the Indian stock market will develop.

**Roa et al. (1998)** dismembered in their investigation of isolated institutional ventures together with Indian securities exchange including constituted that the overall FII ideas have an effect on the stock assessment in India.

**Ravi Akul, (2011):** Most of the immature nations experience the ill effects of low level of wage and capital gathering. However, in spite of this lack of venture, these nations have built up a compelling impulse for industrialization and financial improvement. As we probably am aware the requirement for Foreign capital emerges because of lack from residential side and different reasons. It is watched that the FIIs venture has indicated noteworthy change in the liquidity of stock costs of both BSE and NSE.

**S.S.S.Kumar (2006)** analysed the piece of FII in Indian securities trade and found that the market advancement can be clarified using the heading of the benefits spill out of the money related financial specialists.

**Saha, Malayendu. (2009)** studied the keen of the foreign institutional investors and more financial organizations in the country and the execution of the Indian securities exchanges and she reasoned that Indian stock market is respected at standard with the developed exchanges. Moreover, it had an exceptionally unique kind of financial model and depends on strong monetary development with tremendous liquidity and it is not relied on the US frugality for its GDP development.

**Sandhya (2005)** analyzed with applicable outside capital stream and securities trade instability. The audit found that startling streams have a more unmistakable effect than the normal streams on the stock documents.

**Sethi, Narayan and Sucharita Sanhita. (2009)** examined to clear up the effects of private outside money related inflows (FINV) on a number of macroeconomic considers India by means

of the point in time arrangement data between April 1995 to Dec 2007. They started that Foreign Institutional Investment is unfavorably influencing the money related development.

**Shromon (2007)** studied Sensex 's wonderful climb in the months. Likewise, the volatility of the FII stream is similar. It is especially impossible to predict whether FII is tomorrow's net merchant or net buyer. This review also shows that there is nothing to do between FII and SENSEX in the market in the course of few months and it likewise indicated how volatile FII streams are. It is particularly impossible to anticipate whether FIIs will be net merchants or net purchasers tomorrow. The review also indicates there is no unbending relationship amongst FIIs and SENSEX in the market.

**Singh Manmohan (2007)** examined to clear up the use of partaking notes by the outside financial specialists, as a course of portfolio streams into the Indian capital markets for over 10 years. The growing of India's outside examiner base, of late, has a predisposition towards common assets/unregistered remote financial specialists who contribute essentially by methods for participatory notes (PNs).

**Trivedi and Nair (2006)** considered in their survey which suggested that, predefined 353 the colossal limit of attempts, outside experts have the capacity to expect the bit of market makers and win their favorable circumstances. They can buy any budgetary assets and resources at what time the expenses are decreasing and offer while the favored perspective expenses are expanding. Thusly there is a likelihood of a two-directional relationship among FII and regard returns.

## **Statement of the problem**

### **2.4 Need for the Study**

Since budgetary advancement there has been gigantic store stream to the Indian capital market and with facilitating of venture confinements outside institutional speculators have assumed a noteworthy part in characterizing the Indian Stock market and greatly affecting the Indian Stock Market. In this way it is of most extreme significance to examine, comprehend and break down the effect of these outside ventures of Indian Stock Market.

### **2.5 Objective of the Study**

1. To study Foreign Institutional Investment Flow in India.
2. To examine impact of FII's on Indian Stock Market.
3. To compare the risk and return of BSE Sensex and CNX Nifty with reference to Foreign Institutional Investment during the study period.
4. To suggest measures to the investors.

### **2.6 Scope of the Study**

The scope of the research makes it possible for us to acknowledge the insight into market players and their feelings directly into trading in Indian stock exchange. This analyse additionally makes it possible for us to realise the possibility of Indian Stock Market to FII in order to analyse regardless if the stock market, at large, is a financial indicator.

## 2.7 Research Methodology

### 2.7.1 Research Design:

Analytical Research.

### 2.7.2 Data and Sources of Data:

#### Secondary data :

Supplementary information is gathered from more than a few government e-sources and publications that are readily accessible.

### 2.7.3 Hypothesis Framework:

**H<sub>0</sub>**: There is no significant relationship between FII and Indian Stock Market.

**H<sub>1</sub>**: There is a significant relationship between FII and Indian Stock Market.

### 2.7.4 Statistical Tests:

3. **Mean** =  $\frac{\sum X}{N}$ ,

Mean is the average of all numbers (data) in the given distribution which is also called as the arithmetic mean.

4. **Karl Pearsons Correlation** =  $r = \frac{n(\sum XY) - (\sum X)(\sum Y)}{\sqrt{[n\sum X^2 - (\sum X)^2][n\sum Y^2 - (\sum Y)^2]}}$

Karl Pearsons Correlation is the statistical measure of the linear relationship between a dependant variable and an independent variable. It is represented by the lower case letter 'r'.

5. **Standard Deviation** =  $\sigma = \sqrt{\frac{1}{N} \sum_1^N (X - \bar{X})^2}$

Standard deviation is a statistical tool used to measure the dispersion which can be used to quantify the level of difference or dispersion of a pair of data values from its mean.

#### **6. Regression Equation =**

$$y = \alpha + \beta x$$

It is a measurable condition which is utilized to discover relationship if any exists between gatherings of collected data.

#### **7. Beta**

$$\beta = \frac{n \sum XY - (\sum X)(\sum Y)}{n \sum X^2 - (\sum X)^2}$$

Beta is the measure of systematic risk of a security or portfolio in the consideration of the business sector as a whole. Beta is otherwise called beta coefficient.

X = FII Net Flow (Independent Variable)

Y = BSE/NSE return (Dependant Variable)

$\alpha$  = Alpha frequently known as the active return on an investment, gauges the performance of an investment against a market index chosen.

### **1.8 LIMITATIONS OF THE STUDY**

- In the analysis of FII inflows to the Indian Stock Market, only 5 years data has been analyzed.
- This research analysis largely relies only on secondary data.

- **Data Analysis and Interpretation.**

- **Data**

**Table 4.1 Showing Descriptive Statistics of BSE Sensex**

<b>Stock Market</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Skewness</b>	<b>Standard Error</b>
<b>BSE Sensex</b>	28923.925	1233.728	0.1935	148.001

(Source: compiled from scholars own calculation)

**Interpretation:**

From the table 4.1 we can break down that the mean (normal) of the stock record BSE Sensex remains at 28923.925 and the standard deviation (danger of the stock) is 1233.728. The skewness esteem (measure of asymmetry) is 0.1935. The standard blunder (deviation from the mean) remains at 148.001.



**Table 4.2 Showing Descriptive Statistics of NSE Nifty**

<b>Stock Market</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Skewness</b>	<b>Standard Error</b>
<b>NSE Nifty</b>	7039.822	1286.092	-0.1136	166.554

(Source: compiled from scholars own calculation)

**Interpretation:**

From the table 4.2 we can break down that the mean (normal) of the stock list NSE Nifty stands at 7039.822 and the standard deviation (danger of the stock) is 1286.092. The skewness esteem (measure of asymmetry) is - 0.1136. The standard blunder (deviation from the mean) remains at 166.554.

**Table 4.3 Showing the results pertaining to Nature & Degree of relationship between BSE Sensex and FII.**

SL NO	DEPENDENT VARIABLE	EXPLONATORY VARIABLE	BETA( $\beta$ )	R	r2	t-stat	p-value	Decision
1	BSE Sensex	FII	-0.113	0.2764	0.0764	-2.19064	0.0325	Reject $H_0$

(Source: compiled from scholars own calculation)

\*level of significance = 0.05

**Interpretation:**

From the table 4.3 we can analyze that the calculated Beta value between BSE Sensex and FII is -0.113 which implies inverse relationship between them. Since the calculated value is -0.113, then one unit change in FII will have an effect on BSE Sensex.

The co-efficient of correlation between BSE Sensex and FII stands at +0.2764 which can be interpreted as there is low degree of positive correlation between BSE Sensex and FII.

The co-efficient of determination is 7.64% which is the variation in BSE Sensex which is affected by Foreign Institutional Investment Flow. The remaining 92.36% of variation of BSE Sensex cannot be affected by the Foreign Institutional Investment Flow.

$H_0$  (null hypothesis) is rejected as the calculated p-value (calculated probability) between BSE Sensex and FII is less than the level of significance which indicates a strong evidence for the rejection and it needs to be rejected

**Table 4.4 Showing the results pertaining to Nature & Degree of relationship between NSE Nifty and FII.**

SL NO	DEPENDENT VARIABLE	EXPLONATORY VARIABLE	BETA( $\beta$ )	R	r2	t-stat	p-value	Decision
1	NSE Nifty	FII	-0.0361	0.2855	0.0815	-	0.0269	Reject H0

(Source: compiled from scholars own calculation)

\*level of significance = 0.05

**Interpretation:**

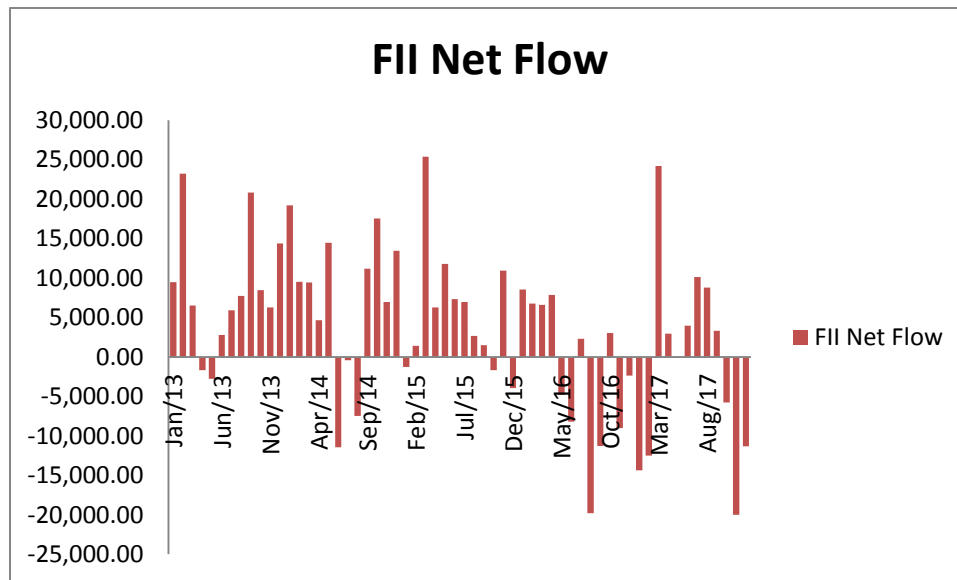
From the table 4.4 we can break down that the computed Beta incentive between NSE Nifty and FII is -0.0361 which infers backwards connection between them. Since the ascertained esteem is - 0.0361, at that point one unit change in FII will affect NSE Nifty.

The co-efficient of correlation between NSE Nifty and FII stands at +0.2855 which can be interpreted as there is lower degree of positive correlation amongst NSE Nifty and FII.

The co-effective of assurance is 8.15% which is the variety in NSE Nifty which is influenced by Foreign Institutional Investment Flow. The staying 91.85% of variety of NSE Nifty can't be influenced by the Foreign Institutional Investment Flow.

H<sub>0</sub> (null hypothesis) is rejected as the calculated p-value (calculated probability) between NSE Nifty and FII is not as much as the level of criticalness which demonstrates a solid confirmation for the dismissal and it should be rejected

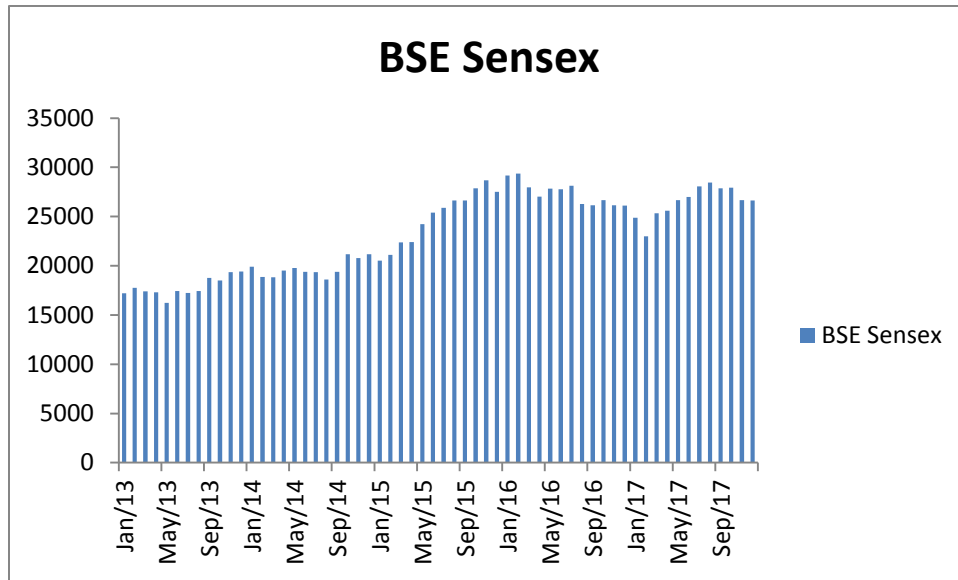
**Chart 4.1 Showing the monthly Net Flow of FII into Indian Stock Market**



(Source: SEBI annual report from the year 2013 to 2017)

The above graph displays how the FII Net Flow into Indian Stock Market has been performing. It is deduced from the above chart that in the year 2014, 2016 FII had a descending pattern in the market and in the year 2013, 2015 FII had an upward pattern in the market.

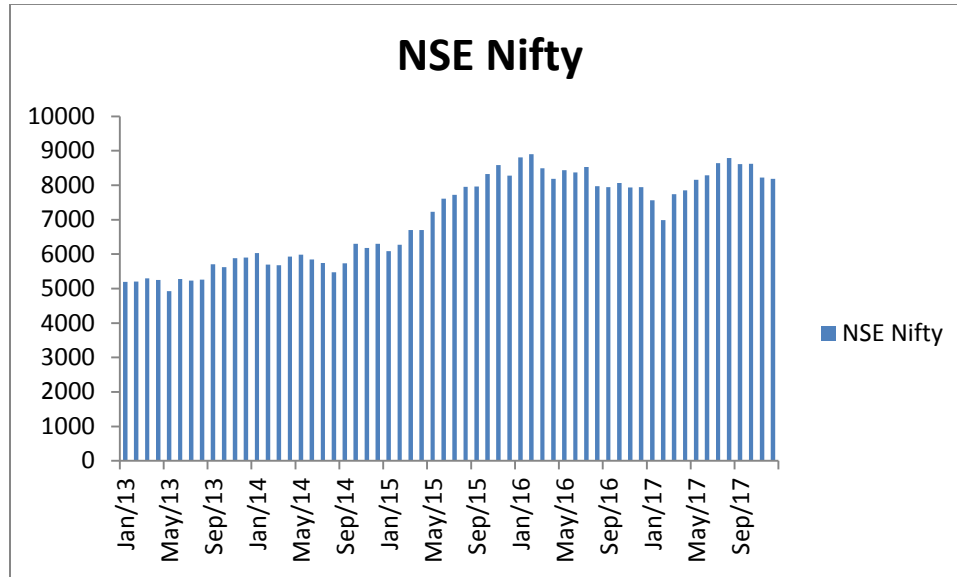
**Chart 4.2 showing the monthly closing prices of BSE Sensex**



(Source: SEBI annual report from the year 2013 to 2017)

The graph above shows how the stock price of BSE Sensex is done in Indian stock market. From the graph above, the BSE Sensex is on the upward trend from 2013 to 2016, the stock price has been rising, but in 2017 the BSE Sensex fell short of the market expectation, but it showed an upward trend.

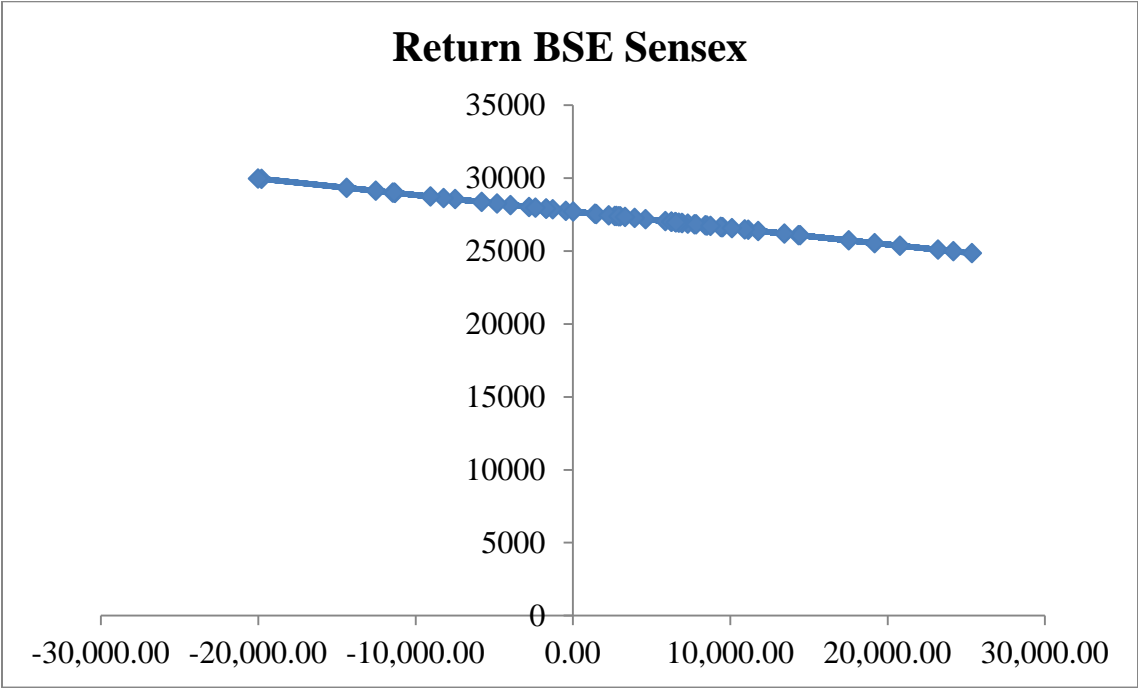
**Chart 4.3 showing the monthly closing prices of NSE Nifty**



(Source: SEBI annual report from the year 2013 to 2017)

The above graph exhibits how NSE Nifty stock price has been performing in Indian Stock Market. It is inferred from the above graph that from the year 2015 to 2016 NSE Nifty had an upward trend and a huge price gain in the stock market but in the year 2017 NSE Nifty had a downward trend which was below market expectations.

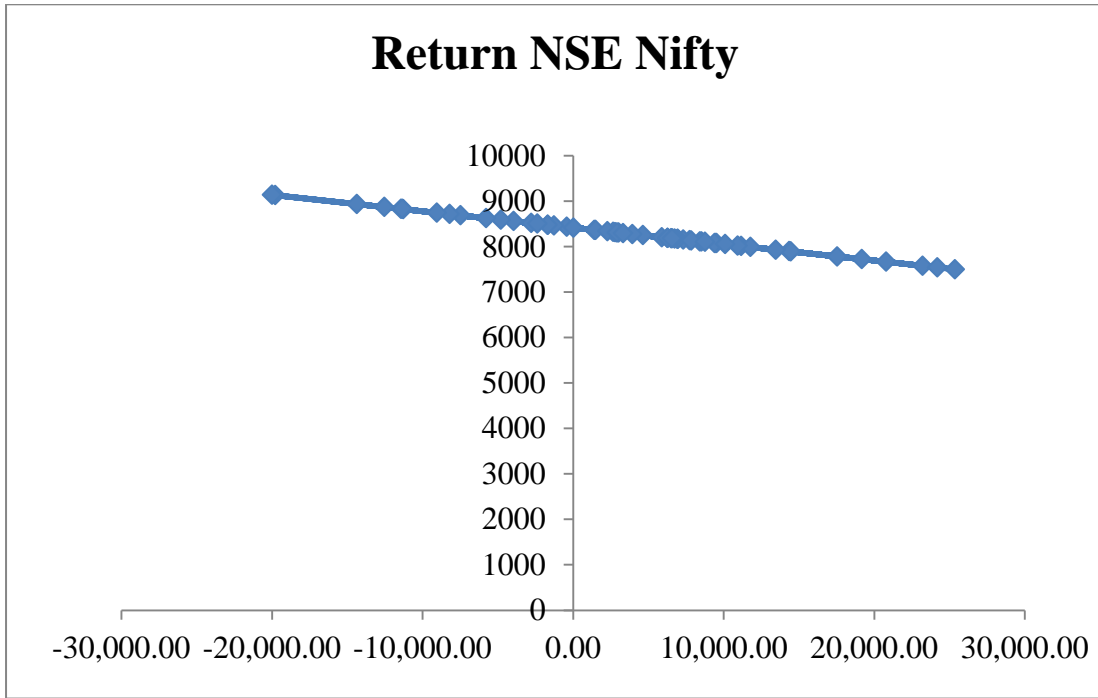
**Chart 4.4 showing the expected value through regression output pertaining to BSE Sensex (Dependant Variable)**



(Source: SEBI annual report from the year 2013 to 2017)

From the above chart we can analyse the arrival of BSE Sensex (subordinate variable) with FII (autonomous variable) through a disperse plot as appeared in the above figure.

**Chart 4.5 Showing the expected value through regression output pertaining to NSE Nifty  
(Dependant Variable)**



(Source: SEBI annual report from the year 2013 to 2017)

**Interpretation:**

From the above chart we can dissect the arrival of NSE Nifty (dependant variable) with FII (autonomous variable) through a disperse plot as appeared in the above figure.



## **8. Summary of Findings, Suggestions and Conclusion**

### **8.1 FINDINGS**

- **Findings in Regression Statistics between FII and BSE Sensex.**

The relapse result between month to month FII Net Flow and BSE Sensex demonstrates that fluctuating net stream of FII affects the stock cost of BSE Sensex. However the coefficients of FII are decidedly huge on BSE Sensex list. Henceforth for this situation when the FII Net Flow expands, the BSE Sensex list will increment and when the FII Net Flow diminishes, the list will diminish which shows an immediate connection amongst FII and BSE Sensex.

- **Findings in Regression Statistics between FII and NSE Nifty.**

The relapse result between month to month FII Net Flow and NSE Nifty demonstrates that fluctuating net stream of FII affects the stock cost of NSE Nifty. However the coefficients of FII are emphatically huge on NSE Nifty record. Thus for this situation when the FII Net Flow expands, the NSE Nifty list will increment and when the FII Net Flow diminishes, the file will diminish which displays an immediate connection amongst FII and NSE Nifty.

### **8.2 SUGGESTIONS**

- As per discoveries the huge effect of Foreign Institutional Investors on Indian Stock Market lists BSE Sensex and NSE Nifty are very influenced and thus the money related financial specialists should think about the changes in the net stream of FII into the Indian Stock Market before contributing.

- The money related financial specialists need to take after FII Net Flow on the grounds that if there is any ascent in the FII Net Flow then the effect on the records BSE Sensex and NSE Nifty will likewise rise and when the FII Net Flow decreases the list esteem additionally decays.
- The picked stock lists BSE Sensex and NSE Nifty have been affected by FII Net Flow by which the budgetary speculators need to think the other route around before they go for any interests in these chose records since when the FII Net Flow expands the estimation of the chose files additionally goes up and when the FII Net Flow diminishes the estimation of the chose lists have descended.

### **8.3 CONCLUSIONS**

The investigation has been attempted break down the relationship of Foreign Institutional Investors with Indian Stock Market. The report considered the two principle records BSE Sensex, NSE Nifty and the net stream of FII's to breakdown whether there is an impact or not. The investigation used coefficient and relapse. From the over all outcomes it was discovered that there is strong effect of FII's on the chosen records. This result suggests that considering the FII Net Flow is in like manner imperative when the speculators go for putting resources into the chose lists of Indian Stock Market.

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- 2) [www.sebi.gov.in](http://www.sebi.gov.in)
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- 4) [www.moneycontrol.com](http://www.moneycontrol.com)
- 5) [www.bloomberg.com](http://www.bloomberg.com)





ACHARYA INSTITUTE OF TECHNOLOGY

DEPARTMENT OF MBA

INTERNSHIP WEEKLY REPORT

**Name of the student:** MOKSHITH S GOWDA

**Internal guide:** Prof. MONICA M.

**USN No.:** 1IA16MBA24











**Specialization:** Finance and Marketing.

**Title of the project:** Foreign Institutional Investment and its relationship with Indian Stock Market.


**Company Name:** Philip Capital India Pvt Ltd.

Week	WORK UNDERTAKEN	External Guide Signature	Internal Guide Signature
15/1/2018 To 21/1/2018	Study of organization.		
22/1/2018 To 28/1/2018	Research Methodology.		
29/1/2018 To 04/2/2018	Industry profile and company profile.		
05/2/2018 To 11/2/2018	Competitor's analysis.		
12/2/2018 To 18/2/2018	Learning about foreign institutional investors.		



19/2/2018 To 25/2/2018	Theoretical background of the study and live experience of stock market.		
26/2/2018 To 04/3/2018	Use of Regression analysis and its usage in stock market.		
05/3/2018 To 11/3/2018	Going through old project reports of the company.		
11/3/2018 To 18/3/2018	Data Analysis and Interpretation.		
19/3/2018 To 24/3/2018	Findings, Suggestions and Conclusions.		



  
HOD Signature

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