

**EMPIRICAL INVESTIGATION OF THE MACRO-
ECONOMIC DETERMINANTS OF FOREIGN
INSTITUTIONAL INVESTMENT IN INDIA: AN
AUTOREGRESSIVE DISTRIBUTED LAG (ARDL)
APPROACH**

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Abstract

The study investigates the macro-economic determinants of foreign institutional investments (FIIs) in India by employing the Autoregressive Distributed Lag (ARDL) approach on the monthly data for the time period from April 2009 to December 2014. The macro-economic variables, which are based partially on portfolio balance model, include exchange rate, inflation, interest rate, domestic stock market performance, and foreign market performance. The results indicate that the exchange rate share a significant relationship with FII flows both in short run as well as long run. Along with, the presence of the positive and negative feedback trading can also be traced in Indian market for short run and long run, respectively.

Keywords: ARDL-UECM, FIIs, Equity market, Exchange rate, Cointegration.

JEL Classification: C22, F31, F32.