

FOREIGN INSTITUTIONAL INVESTOR'S IMPACT ON STOCK PRICES IN INDIA

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Abstract

This paper studies the impact of market opening to FIIs, on Indian stock market behavior. India announced its policy regarding the opening of stock market to FIIs for investment in equity and related instruments on 14th September 1992. Using stock market data related to Bombay Stock Exchange, for both before and after the FIIs policy announcement day. An empirical examination has been conducted to assess the impact of the market opening on the returns and volatility of stock return. We found that while there is no significant changes in the Indian stock market average returns, volatility is significantly reduced after India unlocked its stock market to foreign investors.

Keywords: Foreign Institutional Investors; Stock Prices Return; Stock Prices Volatility; Foreign Investments.