
The Bombay Stock Exchange SENSEX and foreign institutional investment in India: analysis

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Abstract: With liberalisation and privatisation in 1991, foreign institutional investors (FIIs) were allowed to make investments in Indian securities from 1992 onwards. Today, India offers higher growth rates than many a developed economies and the same has helped it gain favour amongst investors as a foreign investment destination. According to a poll conducted by Bank of America-Merill Lynch (BofA-ML) during 2015, India was voted as the most favourite global equity market for investors at 43%. On the other hand, although FII investments have grown steadily since liberalisation, standard and poor Bombay Stock Exchange (BSE) SENSEX has been highly volatile. Keeping in mind, a volatile S&P BSE SENSEX the research aims to understand the impact of BSE SENSEX on FIIs money flow into India and whether BSE SENSEX has a role to play in accelerating the growth rate foreign institutional investments, i.e., the research was undertaken to determine if there exists any correlation between BSE SENSEX and net foreign institutional investments as well as the strength of the relationship, if any, taking India as a case example. The causality of the relationship was also examined, i.e., if BSE SENSEX impacts FIIs money flow or vice versa through the Granger causality test.

Keywords: foreign institutional investment; BSE SENSEX; India.

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