IMPACT OF FII'S ON INDIAN STOCK MARKET WITH SPECIAL REFERENCE TO EQUITY PRICES OF AUTO SECTOR

Dr. Pradip S Thombare, Assistant Professor
Sinhgad institute of Management, Pune-41
prad4930@gmail.com

ABSTRACT
The growth of the Indian capital market is being fueled by the foreign institutional investors (FII), whose increasing presence is a sign of the advancements made in that industry. Developing nations always strive to enhance their financial markets in the hopes of luring more capital from elsewhere. This has led to new levels of development and increased volatility in the Indian financial markets, which has created an opportunity for fresh research into international institutional investments and the Indian financial market. This study aims to evaluate the impact of international institutional investors' trading activity on the Indian stock market. Our analysis showed that the returns on the Indian stock market have not been much impacted since the market was opened to investors from other nations, but the market's volatility has dramatically decreased. Due to its size, the Indian stock market is a favorite among investors wishing to make investments.

The Indian market has attracted an increasing number of domestic as well as foreign investor groups due to its steady growth in recent years. Institutional investors are responsible for the majority of the funds invested in the Indian stock market and among these investors, foreign institutional investors (also known as FIIIs) are the most important. The question of whether these Foreign Institutional Investors (FIIs) are responsible for regulating India's capital markets is an important one. This study examines whether market movements are attributed to these investors and what impact they have on capital markets. Due to the short-term nature of FII investments, there can be a two-way causal relationship between FII returns and returns in other domestic financial markets such as financial markets, stock markets and foreign exchange markets.

Keywords: Indian stock Market, FII, CNX Auto, Sensex

Introduction
In India, stock requests first opened their portals in 1875. The oldest stock trade in the nation is the BSE. When Indian stock trading began, 318 people joined the Native Share and Stock Merchandisers Association, which is now known as the Bombay Stock Exchange, or BSE for short. In 1965, BSE was formally conceded by the Indian government. assimilated to the National Stock Exchange, BSE is more well-known. The expressions Indian stock request( BSE and NSE) are occasionally exercised interchangeably. The histories of the BSE and the Indian stock request are veritably analogous. A 30-stock perceptivity indicator called Sensex was originally developed in 1986. The Sensex is determined by appearing at the interpretation of 30 financially sound standard enterprises' folks. In 1990, the BSE went over the 1000 mark for the first time. 2000, 3000, and 4000 were each passed in 1992.

To save the interests of investors, SEBI implements a variety of strict regulations. The Sensex crossed the 5000 mark in 1999 and the 6000 mark in 2000. The mileposts of 7000 and 8000 were passed on June 7 and September 8, independently, of 2005. Significant leaguers are being made in the Indian stock requests by a sizable number of foreign institutional investors( FII). Institutional foreign investors were significantly attracted by the radical profitable programs espoused by arriving governments.

For transnational investors, India is now the stylish country to inoculate in. formerly held in low regard, middle class Indians now show off interest in the stock request. Savings from numerous Indians who work everywhere are decreasingly set into folks. This new event is brought around by the excrescence of online commerce and the drop in bank interest classes. The maturity of the time, stockbrokers with Indian headquarters open missions everywhere to accommodate on-resident Indians' requirements. The time element is also profitable to NRIs. Anyone can buy or

Vend stock online when they come home from work. The expansion of Indian companies into transnational pots, the harmonious GDP excrescence rate of around 6, and the significant excrescence eventuality in the telecommunications, media, instruction, tourism, and IT spots each supported by profitable reforms all play a part in India's stock request's bullish trend.

Objective Of The Study
- To dissect the trend investment by FIIs in Indian stock requests.
- To understand the relation between FIIIs leaguers and stock request volatility.
• To examine whether FIIs have any influence on colorful BSE indicators and NSE indicators.

**Hypothesis**

H01: There’s no significant relation between FII and CNX AUTO
H02: There's no significant jolt between FII and CNX AUTO,
H03: There's no significant relation between FII and BSE SENSEX.

**Literature Review**

There's a correlation between the BSE Sensex and several macroeconomic procurators in India, similar as the indicator of Industrial Production(IIP), the Wholesale Price Index, and the Consumer Price Index(WPI) Douma.G.( 2006). To anatomize the region- special goods of macroeconomic procurators on the Indian stock trade. Several approaches, involving the ADF test and correlation matrix, were employed to break down yearly data from April 2005 to March 2012, as well as the Granger reason test and direct retrogression dissection. Aggarwal (2005).

The dissection discovered a positive relationship between the FII and the Sensex. tallying to retrogression dissection, FII and currency classes affect all diligence. The study also concluded that domestic macroeconomic difficulties have a lesser jolt on the Indian stock request than do foreign bones Gupta (2003). Anatomized patterns in FII investment in India from January 2006 to October 2011 The profitable condition of a country influences FII leaguers. There's no correlation between FII impartiality and credence inflow. The bean also revealed a boost in FII investment in India. Chakrabarti (2001) Since 2008 marked the smallest position of FII impartiality leaguers, tallying to the data. Foreign institutional investors(FII) remove the utmost plutocrats from stock requests during profitable downturns, depending on the country's profitable status, tallying to the bean. Mukherjee (2002)

Facilitators for FII inrushes, similar as exposure- grounded ordinances, trade classes, global confidence in Indian requests, obligatory commercial governance, etc. The relationship between FII and the Indian stock request is unidirectional. Richards, A (2002)

In order to determine the variables of FII in India, statistics for responses, threat, and affectation in the Indian(domestic) and American( foreign) husbandry were employed. GARCH estimations set up a positive association between FII and US Sensex returns and affectation, and an inhospitable correlation with Indian affectation, S&P 500 responses, and partner figure threat on the BSE and S&P 500. Pal (2004)

exercising diurnal data from April 2006 to February 2011, this study delved whether FIIs were the cause or sequel of stock request oscillations in India. The data's stationarity was validated utilizing an ADF test. The OLS Retrogression test indicates that FIIs have a sequel on the stock request. The Granger reason test demonstrated a two- expressway relationship between FII and NSE, and the study's rulings give support for the thesis that FIIs were feedback dealers. Bablu.M (2008)

To track the process of the stock request, the SINDEX indicator was created. utilizing thepair-wise Granger Causality Test, the actuality of a unproductive relationship between FII investment and stock request evolution pointers similar as trading measure and request capitalization was also determined. ADF test was performed on yearly data gauging January 1993 to August 2007. Takeshi (2008)

The disquisition concluded that FIIs were a major contributor to request capitalization. The request's trading exertion increases the confidence of foreign investors, leading to a boost in their purchases. Also, the dissection revealed a bidirectional unproductive connection between FII stock request purchases and deals and request capitalization. Brooks, Christopher (2002)

<table>
<thead>
<tr>
<th>TOP 10 AUTOMOBILE COMPANIES IN INDIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ashok Leyland Ltd.</td>
</tr>
<tr>
<td>2. Bajaj Auto Ltd.</td>
</tr>
<tr>
<td>3. Force Motors Ltd.</td>
</tr>
<tr>
<td>4. Hero MotoCorp Ltd.</td>
</tr>
</tbody>
</table>
5. Hyundai Motor India Ltd. (HMIL)
6. Mahindra & Mahindra Ltd.
7. Maruti Suzuki India Ltd.
8. Tata Motors Ltd.

Statistical techniques and data collection:
A quantitative approach was employed by controlling for variables and using statistical techniques to understand the impact of FII investing on stock market performance. The current study is experimental in nature as it is data-driven research that looks for evidence that certain variables affect other variables in some way.

Data specification:
- FII/FPI data – Monthly data is obtained from NSDL’s website (National Securities Depository Limited). The data is extracted from FII's annual investment reports.
- NSE Nifty 50 index data – NSE official website. Monthly closing data was obtained and then used to calculate interest.
- S&P BSE Index Data - BSE official website. Monthly closing data has been obtained.
- Auto companies are selected based on market capitalization. (5 each)

Investment Trend of FII (2011-2020):

Fig-1 Graph of Sectoral Indices of FII, NIFTY, NIFTY AUTO
Analysis of Selected Auto companies:
Pair wise Granger Causality Test Between BSE Auto Returns and stock Prices:

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>Obs</th>
<th>F-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MM RET does not Granger Cause BSE AUTO RET</td>
<td>242</td>
<td>0.06917</td>
<td>0.7928</td>
</tr>
<tr>
<td>BSE AUTO RET does not Granger Cause MM RET</td>
<td>139.835</td>
<td>1.E-25</td>
<td></td>
</tr>
<tr>
<td>ASHOK RET does not Granger Cause BSE AUTO RET</td>
<td>242</td>
<td>0.02320</td>
<td>0.8791</td>
</tr>
<tr>
<td>BSE_AUTO_RET does not Granger Cause ASHOK RET</td>
<td>71.7409</td>
<td>3.E-15</td>
<td></td>
</tr>
<tr>
<td>ASHOK RET does not Granger Cause MM RET</td>
<td>243</td>
<td>0.43469</td>
<td>0.5103</td>
</tr>
<tr>
<td>MM RET does not Granger Cause ASHOK RET</td>
<td>1.32285</td>
<td>0.2512</td>
<td></td>
</tr>
</tbody>
</table>

Table -1 Pair wise Granger Causality Test Between BSE Auto Returns and Stock Prices

**Decision criteria:** p>0.05 accept the Null Hypothesis. P<0.05 reject the Null Hypothesis.

**Interpretation:** From the Table-1 we can conclude that if p value is less than 0.05 then we reject the null hypothesis, if p value greater than 0.05 then we accept the null Hypothesis.
1. Causes of BSE Auto Indexes Returns on the Mahindra & Mahindra Indices
2. Ashok Leyland Indices Returns are caused by BSE Auto Indic

Analysis of Auto sector:

![Graph of Share price and FII holdings of Tata Motors](image)

<table>
<thead>
<tr>
<th>TATA MOTORS</th>
<th>FII</th>
<th>SHARE PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FII</td>
<td>1</td>
<td>0.564573894</td>
</tr>
<tr>
<td>SHARE PRICE</td>
<td>0.564573894</td>
<td>1</td>
</tr>
</tbody>
</table>

Table -2 and Stock Price of Tata Motors
Analysis of ASHOK LEYLAND:

![Graph of Share price and FII holdings of Ashok Leyland](image)

**Table -3**  FII and Stock Price Ashok Leyland

<table>
<thead>
<tr>
<th>ASHOK LEYLAND</th>
<th>SHARE PRICE</th>
<th>FII</th>
</tr>
</thead>
<tbody>
<tr>
<td>FII</td>
<td>0.3424</td>
<td>1</td>
</tr>
<tr>
<td>SHARE PRICE</td>
<td>1</td>
<td>0.342436582</td>
</tr>
</tbody>
</table>

Fig-3  Graph of Share price and FII holdings of Ashok Leyland
Analysis OF MAHINDRA&MAHINDRA

**Table-4 FII and Stock Price of Mahindra and Mahindra**

<table>
<thead>
<tr>
<th>M&amp;M FII</th>
<th>SHARE PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FII</td>
<td>0.1834</td>
</tr>
<tr>
<td>SHARE PRICE</td>
<td>0.183347073</td>
</tr>
</tbody>
</table>

**Fig-4** Graph of Share price and FII holdings of Mahindra and Mahindra
Analysis of MARUTI SUZUKI

Table -5  FII and Stock Price of Maruti Suzuki

<table>
<thead>
<tr>
<th>MARUTI SUZUKI</th>
<th>FII</th>
<th>SHARE PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FII</td>
<td>1</td>
<td>0.198076103</td>
</tr>
<tr>
<td>SHARE PRICE</td>
<td>0.198076103</td>
<td>1</td>
</tr>
</tbody>
</table>
Analysis OF FORCE MOTORS

![Graph of Share price and FII holdings of Force Motors](image)

<table>
<thead>
<tr>
<th>FORCE MOTOTS</th>
<th>FII</th>
<th>SHARE PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FII</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>SHARE PRICE</td>
<td>0.539626963</td>
<td>1</td>
</tr>
</tbody>
</table>

Table –6  FII’s and Stock Price of Force Motors

FINDINGS
- A correlation measure of 0.5645 indicates a favorable relationship between FII effects and TATA Motors.
- FII effects and ASHOK LEYLAND have a relatively positive correlation (0.3424), which indicates a relationship.
- The correlation measure between FII effects and Mahindra & Mahindra is 0.1833, indicating a kindly positive link.
- Maruti Suzuki and FII effects' correlation measure is 0.1980, indicating a kindly positive link.
- The correlation measure between Force Motors and FII effects is 0.5396, indicating a favorable link.

Conclusion
If capital inrushes lead to advanced stock request performance or whether they come as a result of advanced stock request performance is one of the longest-running arguments in economics. By using FII and assaying its impact on the returns of the Sensex and Nifty, the current study examines the direction of occasion between stock request performance and FII investment in the Indian environment. Exercising data from 2002 to 2020, this is done. The results of analysis using retrogression and correlation indicate that there's a relationship
between the two variables. The Granger Causality Test analysis reveals a one-way association between stock request performance and FII, with the direction of the relationship moving from foreign investment to stock request returns. This discovery is harmonious with earlier exploration in the area.

Since FII investments in the nation are identified with the performance of the Indian Stock Market, the current study advises capital request controllers to produce applicable nonsupervisory fabrics for their regulation. The lack or failure of similar investments could have a negative effect on the stock request, thus it also suggests that applicable checks and balances must be in place to manage them. Also, the government should place a high precedence on the growth of the stock request by easing regulations and listing norms for investors in order to encourage further request actors on the stock exchange. This will increase competition and the standard of securities investments, which will have a significant impact on India's capital request growth.

References