

A Study of the Interlink-ages between FII Investments in India and the Global Financial and Macroeconomic Aggregates; in a broad Framework

ABSTRACT

The Indian Equity Markets have received huge proportion of FII flows, causing Financial policy makers to make special attempts at understanding the behavioural pattern of these inflows. This paper attempts to provide a comprehensive investigation into the factors responsible for the upbeat receipts of FII investments in India. To ensure Macroeconomic and Financial stability, it is important that regulators understand which factors and to what extent, effect the inbound investments into the country. Other than the stock market performance (which is generally considered to be the key indicator of FII Investments), special emphasis has been given on the Macroeconomic determinants and the Economic growth of India, while analysing the pattern of FII investments. The study concludes that FIIs inflows in India are determined by both stock market characteristics and macroeconomic factors.

Keywords: FII, Sensex, S&P 500 Index, Dynamics