

ABSTRACT

The Foreign Institutional Investors (FIIs) have emerged as important players in the Indian equity market in the recent past. This study makes an attempt to develop an understanding of the dynamics of the trading behavior and the factors influencing FIIs and returns in the Indian equity market by analyzing daily and monthly data. The study concludes that FIIs follow positive feedback trading on a daily basis, while they follow negative feedback trading on a monthly basis. The factors that affect the foreign investor's decisions depend on a number of factors, differing for both daily and monthly data. But the main determinant remains lagged stock returns. The study concludes that FIIs inflows in India are determined by stock market characteristics, macroeconomic factors and international factors.