

DO FOREIGN DIRECT INVESTMENT INFLOWS INFLUENCE THE MOVEMENTS OF INDIAN STOCK MARKET?

DR. H. C. KOTHARI*; MR. PANKAJ BHATT**

*ASSISTANT PROFESSOR,
DEPT. OF MANAGEMENT STUDIES,
SHRIRAM INSTITUTE OF MANAGEMENT AND TECHNOLOGY,
KASHIPUR, U. S. NAGAR, UTTARAKHAND, INDIA.

**ASSISTANT PROFESSOR,
DEPT. OF MANAGEMENT STUDIES,
SHRIRAM INSTITUTE OF MANAGEMENT AND TECHNOLOGY,
KASHIPUR, U. S. NAGAR, UTTARAKHAND, INDIA.

ABSTRACT

Since the economic reforms in 1991, the Indian economy has shown an enormous growth. It has become centre of attraction for the overseas investors. Decreasing restrictions on the foreign inflow has widened the ground for foreign investment. As a result the flow of Foreign Direct Investment (FDI) in India has shown a very rapid growth. The present study in an effort to answer a question- “does Foreign Direct Investment affects movements of Indian Stock Market?” BSE Sensex and NSE Nifty have been taken in the study as they are referred as barometer of Indian economy and an impact of FDI inflow on their movement has been measured. Pearson’s coefficient of correlation has been used to examine the relationship between FDI inflow and the movement in NSE Nifty and BSE Sensex. A linear regression model has been applied to measure the impact of FDI (independent variable) on the movement of NSE Nifty and BSE Sensex (dependent variables). Results show that FDI inflows in India significantly influence the movement of NSE Nifty and BSE Sensex.

KEY WORDS: FDI, NSE Nifty, BSE Sensex, Linear Regression.

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