
A Study of the Relationship between Foreign Institutional Investors (FIIs) & Domestic Institutional Investors (DIIs)

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ABSTRACT

Economies like India, which offer relatively higher growth than the developed economies, have gained favour among investors as attractive investment destinations for foreign institutional investors (FIIs). Investors are optimistic on India and sentiments are favourable following government's announcement of a series of reform measures in recent months which changed its face on the event of demonetisation. It has been seen that FII took the money out under the conditions of volatility in the Indian stock market whereas on the other hand it impacts the behaviour of the DII in India. So this paper focusses on the behavioural aspects of FIIs and DIIs in order to study their relationship.

Key words: *FII, DII, Stock market, correlation*

INTRODUCTION

Institutional investor is a term for entities which pool money to purchase securities, real property, and other investment assets or originate loans. Institutional investors include banks, insurance companies, pensions, hedge funds, REITs, investment advisors, endowments, and mutual funds. Operating companies which invest excess capital in these types of assets may also be included in the term. Activist institutional investors may also influence corporate governance by exercising voting rights in their investments. Institutional Investors are the most influential players in the stock market of any country because of their money power and they play crucial role in the movement of stock indexes. Generally it has been observed that when institutional investor buys heavily the stock market goes up and when they sell it goes down. Mutual Funds, Pension Funds, Hedge Funds, Banks, Insurance Companies & Investment Banks etc. are referred as Institutional Investors. These are further divided into two parts a) Domestic Institutional Investor (DIIs) b) Foreign Institutional Investor (FIIs).

A foreign institutional investor (FII) is an investor or investment fund registered in a country outside of the one in which it is investing. Institutional investors most notably include hedge funds, insurance companies, pension funds and mutual funds. The term is used most commonly in India and refers to outside companies investing in the financial markets of India.

An FII is any type of large investor who does business in a country other than the one in which the investment instrument is being purchased. In addition to the types of investors above, others include banks, large corporate buyers or representatives of large institutions.

All FIIs take a position in a foreign financial market on behalf of the home country in which they are registered. Countries with the highest volume of foreign institutional investments are those that have developing economies. These types of economies provide investors with higher growth potential than in mature economies. This is why these investors are most commonly found in India, all of which must register with the Securities and Exchange Board of India to participate in the market. Domestic institutional investors are those institutional investors which undertake investment in securities and other financial assets of the country they are based in. Institutional investment is defined to be the investment done by institutions or organizations such as banks, insurance companies, mutual fund houses, etc. in the financial or real assets of a country. Simply stated, domestic institutional investors use pooled funds to trade in securities and assets of their country. These investment decisions are influenced by various domestic economic as well as political trends. In addition to the foreign institutional investors, the domestic institutional investors also affect the net investment flows into the economy.

FII's Drive the Equity markets and DII's Support the Equity market's In India.

Yes it is very important factor to be considered, for doing equity research. Tracking shareholders pattern is crucial during company analysis.

Foreign Institutional Investor's are the biggest shareholder all Indian companies put together.

Check out this pie chart,

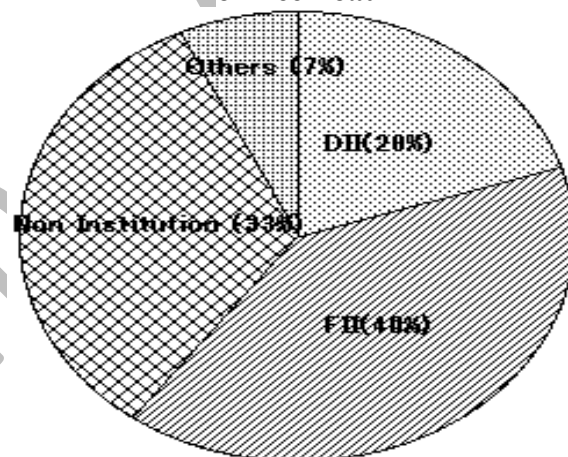
This seem surprising but it is fact, FII's has closely 40% share holding in Indian Companies. Retail volume is nothing compared to others. India is Bank driven economy, so the retail participation is very poor, most of the Indian citizens prefer FD's as their favorite investment product.

FII and FPI (foreign institutional and portfolio investors) are more important than DII. As they usually bring in large long term money and the movement of this money can affect market positively or negatively based on the direction of money movement.

These institutions moving money depends on many factors like country ratings by global agencies, their own domestic country dynamics and scope of an alternate country market becoming more attractive. And when they move money out it is usually not stock specific but value specific.

DII usually act as a stabiliser as they have a better local pulse of market and they are usually swift in entering or exiting. You would find that LIC emerges as a large buyer almost everytime when FIIS are withdrawing.

Fig.1. Various share holder holding as a % of free float



Impact of FIIs on Indian Stock Market: FIIs have played a very important role in building up India's forex reserves, which have enabled a host of economic reforms. FIIs are now important investors in the country's economic growth despite sluggish domestic sentiment. According to The Morgan Stanley Report, FII strongly influence short-term market movements during bear markets. However, the correlation between returns and flows reduces during bull markets as other market participants raise their involvement reducing the influence of FIIs. The correlation between foreign inflows and market returns is high during bear and weakens with strengthening equity prices due to increased participation by other players. The equity return has a significant and positive impact on the FII. But given the huge volume of investments, foreign investors could play a role of market makers and book their profits, i.e., they can buy financial assets when the prices are declining thereby jacking-up the asset prices and sell when the asset prices are increasing. Hence, there is a possibility of bi-directional relationship between FII and the equity returns. India opened its doors to foreign institutional investors in September, 1992. This event represents a landmark event since it resulted in effectively globalizing its financial services industry. So from a research perspective check for DII investment numbers and scripts when markets are in downturn and check the FII/FPI digits when market trajectory is positive.

The stock market reflects the performance of an economy. When the economy of a country rises, the companies make huge profits which attract the interests of FII's and DII's to invest in the Stock markets. The economy of a country is judged by the growth of its GDP. Share prices are likely to move with GDP. The performance of over the past decade reveals that India has gradually emerged as an important destination of global investor's investment. Along with these changes the market has also witnessed a growing trend of 'institutionalization' that may be considered as a consequence of globalization. More precisely the growing might be because of the institutional investor's entities whose primary purpose is to invest and to reap the huge profits. The most common among them are the foreign institutional investors (FII) and Domestic Institutional investors (DII).

The purpose of this study is to find that what is the trend & pattern of the institutional investor's investment in the Indian Stock Market and what is the relationship between Foreign Institutional Investors & Domestic Institutional Investors. The purpose of this study is to find that what is the trend & pattern of the institutional investor's investment in the Indian Stock Market and what is the relationship between Foreign Institutional Investors & Domestic Institutional Investors.

Literature Survey

Shikha Jalota (2017) in his paper focusses on the behavioural aspects of FIIs and DIIs in order to study the relationship between the two.

The paper of **Sonali Jain (2016)** attempts to understand the difference, similarity and causality between FIIs and DIIs with each other and stock market returns for using VAR methodology, which includes both kinds of institutional investors as part of a single system. The results show that while FIIs fund flows significantly affect stock market returns, DII flows do not; FIIs buy more stocks when market rise and sell more when markets down, while DII sell more and purchase less when market rises; FII and DII net fund inflows are negatively correlated with each other; and a bidirectional Granger causality exists between institutional investment flow and stock market returns, suggesting that stock market contains

information for FIIs and DIIs. FIIs and DIIs varying investment pattern could be due to absolute higher level of investment by FIIs vis-a-vis DIIs, market inefficiency could cause information asymmetry between different institutional investors, or DIIs may be required by certain government norms not to sell certain stocks or not trade at particular times to prevent market instability.

The study of **Periaswamy et al. (2016)** is the analysis of stock market environment for retail investors based on the investments made by the Foreign Institutional Investors and market performance in the Indian Stock Market. Foreign Institutional Investors, Domestic Institutional Investors and Retail Investors being the participants in market, the platform is similar to all participants. It is a myth that retail investors are getting affected due to the transactions in large quantity of funds by institutions in the market. This paper is an attempt to develop an understanding of the dynamics of market participants such as Domestic Institutions and Foreign Institutional Investors' investment behavior and its impact on retail participation. The study is conducted using NIFTY index movement with the contribution of DII and FII transactions from January 2007 to August 2015. The outcome of the study shows that there is a positive correlation between Institutional investments and market movement over the period, which suggests some positive signs for Retail Investors

This study under consideration (2016) investigates the trading behaviour of foreign institutional investors (FIIs) and domestic institutional investors (DIIs) in the Indian stock market and also the relation between stock returns and equity flows by FIIs and DIIs. The study uses a wider definition of DIIs that includes not only mutual funds (MFs) but also banks, domestic financial institutions and insurance companies. The results show that the trading pattern followed by FIIs and DIIs is opposite of each other. While FIIs act as positive feedback traders, DIIs act as contrarian investors and negative feedback traders. High lagged stock returns result in increased FII investment. The DIIs, on the other hand, appear to book profits when the market moves up and buy when it moves down. Contrary to findings of earlier studies that MF investment has no effect on future stock returns, the study finds that DII investment has a significant positive relation with future stock returns. The study also finds weak evidence of a negative relation between FII investment and future stock returns.

Mutual Fund Industry in India has started in year 1964 but fail to captured market share along with capital market growth in India this study has been examine to measure the secondary market movement impact on Mutual inflow and out flow the bi-variable has been apply to measure the relationship of secondary market with mutual fund inflow and out flow granger causality test has been apply to measure the impact of FII and DII flows on mutual funds in flows and out flows and observed that only DII were crossed mutual fund out flow. (5) Both FII and DII flow following to inflows the mutual fund inflow and outflows the analysis for period of 2006 to 2014 so that financial rotation pre and post market movement can be captured ,this analysis is useful to the investor of mutual funds, retailers, FI's, FII, DII's.

The literature on the investment technology of foreign versus domestic investors has inconclusive results. The paper of **Ila Patnaik and Ajay Shah (2013)** revisits the question, with a focus on decomposing portfolio performance into asset allocation and security selection. Significant differences in exposure to systematic asset pricing factors between foreign and domestic investors are documented. A quasi-experimental strategy is introduced,

for comparing security selection after controlling for differences in asset allocation. Our results show that foreign investors in India do remarkably poorly at security selection.

Rajnarayan Gupta (2010) has examined the factors that are responsible for the movement of Sensex. The researcher has analysed the data using Empirical estimation model and unit root test. From the analysis of the data the author has concluded that the stock market's movement depends only partially on the foreign capital and its performance is also guided by Country's own economy. The Institutional Investors are called the elephants of the stock market because of their money power. They are the movers and shakers of the stock markets. If we talk about emerging markets like India they have strong influence on the stock market. We have done some review of the literature and found that there are two type of institutional investor are available one are called Domestic Institutional Investor and others are called Foreign Institutional Investors. The purpose of this study is to find that what is the trend & pattern of the institutional investor's investment in the Indian Stock Market and what is the relationship between Foreign Institutional Investors & Domestic Institutional Investors. The study of **AtinGarget al. (2015)** is conducted on the monthly data for the period April 2007 till March 2015 making it total 96 observations for the net investments of institutional investors.

Kaur & Kaur (2014) analyzed the role of FIIs in the development of economy. They collected the data for the net investment by FIIs for the period of 1992 to 2013. They used the simple method i.e. percent increase to previous year method to check the proportion and flows on investments. They used Compound Growth Rate, Descriptive Statistics & Time Series Regression Analysis with the help of Microsoft Excel and Statistical Package for Social Science (SPSS). They found that in 2020 the gross purchase and gross sales will increase but the Net Investment by FII's will show a negative trend.

Nautiyal&Kavidayal (2013) in their paper they made an attempt to find the causality between the FIIs flow and the Indian Stock Market (BSE). They used the monthly data from January 2000 to July 2012. They used Pearson's Correlation test and found that there is a positive correlation between two variables taken. They also used the Pair wise Granger causality test to check the causal effect between FIIs and Sensex. They found that that FII does neither Granger cause stock price nor stock price Granger cause Net Foreign Investment.

Shah (2014)) examined the trend and pattern of FIIs flow in India and relationship between FIIs and NSE. He has taken the daily data from 2001 to 2013 from the websites and reports of RBI, SEBI and NSE. He used the Correlation Coefficient & Regression Analysis to conduct his research. He found that net purchases in FIIs has increased during the period of study, moderate positive correlation ship exist between FIIs and NSE and FIIs flows has no significant impact on NSE.

Krishnan V (2012) examined the trend of FIIs Investment in India for the period of January 2006 - October 2011. He found that FII investment behavior is dependent on stock market return, risk and economic factors

Salar, S.A (2017) tries to examine the relationship between Domestic Institutional Investors and India stock market (SENSEX). The causality between the investments made by Domestic Institutional Investors and movement of Sensex has been analyzed using Granger causality

test. The data from 2009 to 2016 has been analyzed by taking the net investments made by DIIs and closing value of Sensex index.

Various econometric tools have been used to establish the causal relationship between Domestic Institutional Investor flows and Sensex return. The analysis includes Vector Auto Regression (VAR) and Granger causality which shows that DIIs does not have any positive influence on Sensex return but the vice-versa i.e. the movement of sensex definitely makes an impact of the investment strategies of DIIs. The reason behind that is that the DIIs are not influencing the Indian Stock market but rather Foreign Institutional Investors might play an important role in influencing the Sensex. Other than VAR, impulse response and Variance Decomposition have also been used to give more strength to the results.

The study of Pramod Kumar Naik **and** Puja Padhi (2015) examined the relationship between institutional investment flow and stock returns using daily data over the period of January 1, 2002 to July 31, 2012. The analysis was conducted using two and three factors vector autoregression (VAR) frameworks, in which we considered investment flow of two sets of institutional investors, that is, foreign institutional investors (FIIs) and domestic institutional investors (DIIs) proxied by mutual funds, separately as well as jointly, to form the endogenous part in VAR. The analysis for each institutional investor group revealed that FIIs flow did not have any significant impact on market returns, but the DIIs investment flow did have a significant impact. We also found that the fund flow from both the investor groups was significantly affected by their own lags and lagged stock returns, implying that they followed their own past strategy as well as the recent market behaviour, albeit their trading strategy differed. Considering these two institutional investor groups jointly, we found that the net flow of FIIs and DIIs significantly influenced the Indian stock market even after controlling for market fundamentals. Furthermore, we found a feedback relationship between the institutional investment flow and stock market returns. Overall, it was found that the institutional investment collectively impacted the stock market returns.

The study of **Krishna Mohan et al. (2015)** has an aim to examine the impact of foreign institutional investment on Indian stock market and economy. Its focus is on relationship between FII and BSE Sensex and NSE Nifty to find out trend and pattern of FII flow in Indian stock markets and also to examine the relationship between FII and Sensex and Nifty. An attempt has been made in their paper of **Mamta Jain et al., (2013)** to test the correlation between foreign institutional investments or foreign direct investment and the real economic growth in India over a period 2000-01 to 2009-10.

The purpose of the paper of **B.Kirubashini and E.Ranjithawas (2016)** to know the performance of Domestic Institutional Investors in India. Fluctuations of Indian rupee value were also the major fact in the trading activity of Domestic Institutional Investors. The objective of the study is to analyze the overall investment pattern of Domestic Institutional Investors during the period extending from 2009 to 2014. The major findings of the study revealed that to have a positive trend of the upcoming years, DII should focus on long term investments instead of focusing on immediate returns. Our Indian stock exchanges (BSE & NSE) can provide more data on the securities traded in the market.

SanjanaJuneja (2013) makes an attempt to develop an understanding of the dynamics of the trading behaviour of FIIs and effect on the Indian equity market. The study is conducted using daily data on BSE Sensex and Nifty and FII activity over a period of 10 years spanning

from Jan 2003 to September 2013. It provides the evidence of significant positive correlation between FII activity and effects on Indian Capital Market. The analysis also finds that the movements in the Indian Capital Market are fairly explained by the FII net inflows.

Objectives of Study

- ❖ To study the trend and pattern for the Institutional Investments in India.
- ❖ To study the relationship between the FIIs and DIIs.

Need of the Study

The Indian stock market is highly volatile and the FII and DII's have an important role in the upward and the downward movement of the Stock market. FII's and DII's tend to buy and sell stocks in bulk, tend to create major withdrawal effects when they leave. So this study will focus on to know the pattern about how the activities of the institutions influence the buying and selling behaviour in the Stock market.

Scope of the study

The present study covers the comparative analysis of the Indian Stock market and to know the behavioral pattern of their Investment portfolio and to know that whether there is any sequence that they follow for their investment. This study will highlight these facts.

Research design

Research design used in our research is descriptive research design. The reasons are: Descriptive Research (who, what, where, how)

- ❖ Designed to provide further insight into the research problem by describing the variables of interest.
- ❖ Can be used for profiling, defining, segmentation, estimating, predicting, and examining associative relationships.

Data collection:

Secondary data for the analysis has been used. A clear benefit of using secondary data is that much of the background work needed has been already been carried out, for example: literature reviews, case studies might have been carried out, published texts and statistic could have been already used elsewhere, media promotion and personal contacts have also been utilized. This wealth of background work means that secondary data generally have a pre-established degree of validity and reliability which need not be reexamined by the researcher who is re-using such data. This study is based on the investigation of turnover of FII's and DII's for the past decade.

RESEARCH METHODOLOGY

The research is based on secondary data of FII and DII of previous decade. The monthly figures were taken from January to December every year. The monthly figures have been annualized using statistical methods by applying Geometric Mean.

First the correlation has been applied in order to assess that whether any relation exist between the two series of data of FII and DII. In such test the result value can range between +1 to -1 depending upon the positive or the negative relation between the two series. Also One Way ANOVA has been applied to test the hypothesis.

Hypothesis:

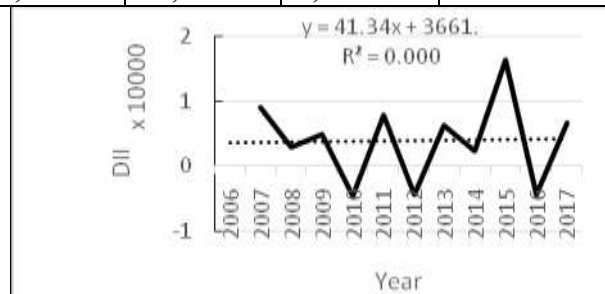
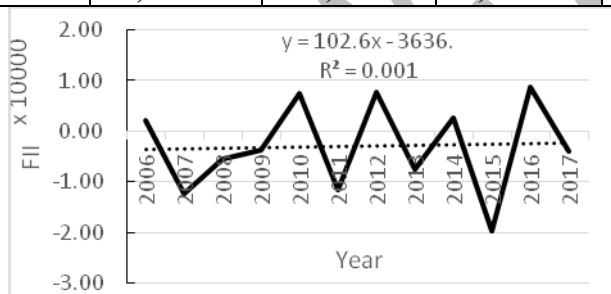
H0: There is no relation between FII and DII.

H1: FII movement effects the movement of DII.

Table.1. presents the data collected and annualized. The nifty values are also included for comparison.

Table. 1. FII and DII data along with Nifty for the past decade

| Year | FII □ CRORES | | | DII □ CRORES | | | Nifty |
|------|--------------|------------|--------------------|--------------|-----------|--------------------|---------|
| | Gross | | Net | Gross | | Net | |
| | Purchase | Sales | Purchase/ Sales | Purchase | Sales | Purchase /Sales | |
| 2006 | 25,413.72 | 23,374.54 | 2,039.18 | N.A. | N.A. | N.A. | 2914.00 |
| 2007 | 52,479.43 | 64,817.90 | -12,338.5 | 26,496.41 | 17,347.14 | 9,149.27 | 3983.40 |
| 2008 | 44,460.52 | 49,916.64 | -5,456.12 | 17,813.52 | 14,841.14 | 2,972.38 | 6274.30 |
| 2009 | 45,722.53 | 49,489.56 | -3,767.03 | 28,621.60 | 23,636.89 | 4,984.71 | 2828.45 |
| 2010 | 56,120.24 | 48,582.94 | 7,537.30 | 24,770.34 | 29,323.02 | -4,552.68 | 5244.75 |
| 2011 | 45,395.78 | 56,954.98 | -11,559.2 | 28,430.65 | 20,439.54 | 7,991.11 | 6312.45 |
| 2012 | 45,533.62 | 37,786.51 | 7,747.11 | 19,133.72 | 23,542.35 | -4,408.63 | 5278.20 |
| 2013 | 70,692.60 | 78,163.07 | -7,470.47 | 31,033.50 | 24,748.78 | 6,284.72 | 5951.3 |
| 2014 | 70,685.63 | 68,004.16 | 2,681.47 | 29,609.80 | 27,274.32 | 2,335.48 | 6089.50 |
| 2015 | 95,879.11 | 115,651.18 | -19,772.1 | 48,145.48 | 31,707.95 | 16,437.53 | 8937.75 |
| 2016 | 110,195.16 | 101,416.89 | 8,778.27 | 45,174.03 | 49,580.34 | -4,406.31 | 7601.35 |
| 2017 | 99,619.25 | 103,670.68 | -4,051.43 | 60,330.87 | 53,654.76 | 6,676.11 | 8349.35 |



Bird's eye inferences from the above table are:

- FII have remained “net purchasers” since 2009-10
- DII have remained “net sellers” since 2010-11
- It would be interesting to compare the above data with how NIFTY has performed during the check period. Given below is the April (open) to Mar (close) values for the period.
Further,
- FIIs were net sellers in 2007-08 but NIFTY rose up by 26.60%

- FIIs continued to be net sellers and NIFTY fell by 36.20% in 2008-09
- Since 2009-10 FIIs positive outlook in Indian market kept them net buyers
- NIFTY in spite of 2011-12 debacle has showed significant growth
- DIIs have remained net buyers for three years, 2007 -2010 and have turned net sellers since 2011 till date.

It is too early to draw a conclusion that FIIs influence NIFTY movement and DIIs don't. Further statistical analysis of the data should throw out more interesting facts.

Statistical Analysis

The data is analysed by correlation, regression and ANOVA tools. Excel 2016 and SPSS 21 are employed for the analysis. (Tables. 2 – 6)

| Table.2 Descriptive Statistics | | | | Table.3. Correlations | | | |
|------------------------------------|------------------------|----------------|--------|---|---------------------|---------|---------|
| | Mean | Std. Deviation | N | | | FII | DII |
| FII | -2969.2933 | 9007.09883 | 12 | FII | Pearson Correlation | 1 | -.971** |
| DII | 3951.2445 | 6548.33704 | 11 | | Sig. (2-tailed) | | .000 |
| Table.4 Variables Entered/Removed | | | | N | | 12 | 11 |
| Model | Variables ^a | | | DII | Pearson Correlation | -.971** | 1 |
| | Entered | Removed | Method | | Sig. (2-tailed) | .000 | |
| 1 | DII ^b | | Enter | N | | 11 | 11 |
| a Dependent Variable: FII | | | | ** Correlation is significant at the 0.01 level (2-tailed). | | | |
| b All requested variables entered. | | | | | | | |

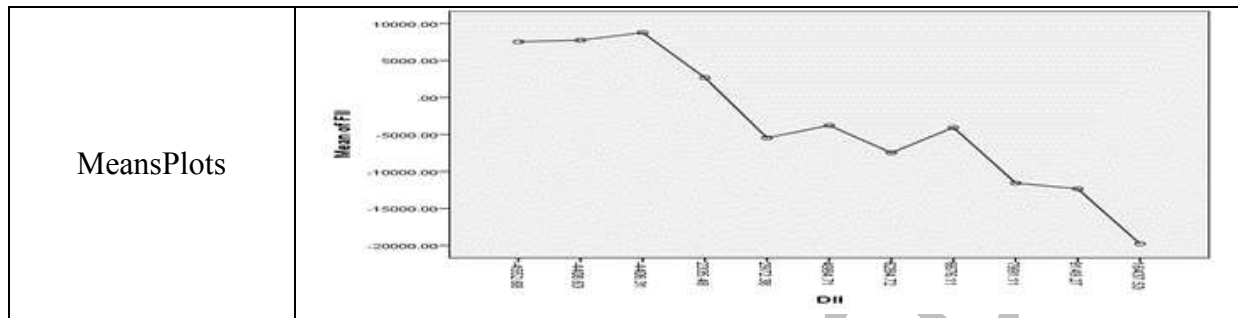
The two series have been first tested for correlation and the outcome was -0.971, (Table.3) which clearly depicts that there is a strong negative correlation which signify that both the series moves together in the opposite direction.

| Table.5. Model Summary | | | | | Interpretation: The value of R is 0.675 which represents moderate degree of correlation. The R square value indicates how much of the dependent variable, can be explained by the Independent Variable. In this case, 45.6% can be explained which is not very good. |
|------------------------|------|----------|------------|----------------------------|---|
| Model | R | R Square | Adjusted R | Std. Error of the Estimate | |
| 1 | .675 | .456 | .444 | 958.62135 | |

| Table. 6 ANOVA | | | | | | |
|----------------|----------------|----|--------------|--------|-------------|------------|
| FII | Sum of Squares | df | Mean Square | F | P-value | F critical |
| Between Groups | 865040881.356 | 10 | 86504088.136 | 4.6252 | 0.043913045 | 2.3512 |
| Within Groups | .000 | 0 | | | | |
| Total | 865040881.356 | 10 | | | | |

Interpretation: This model predicts the outcome variables significantly well. Here, $P < 0.0005$ which is less than 0.05 and indicated that the overall model applied is significantly good enough in predicting the outcome variable.

If $F > F_{crit}$, we reject the null hypothesis. This is the case, $4.6252 > 2.3512$. Therefore, we reject the null hypothesis. The means of the three populations are not all equal. At least one of the means is different. However, the ANOVA does not tell you where the difference lies.



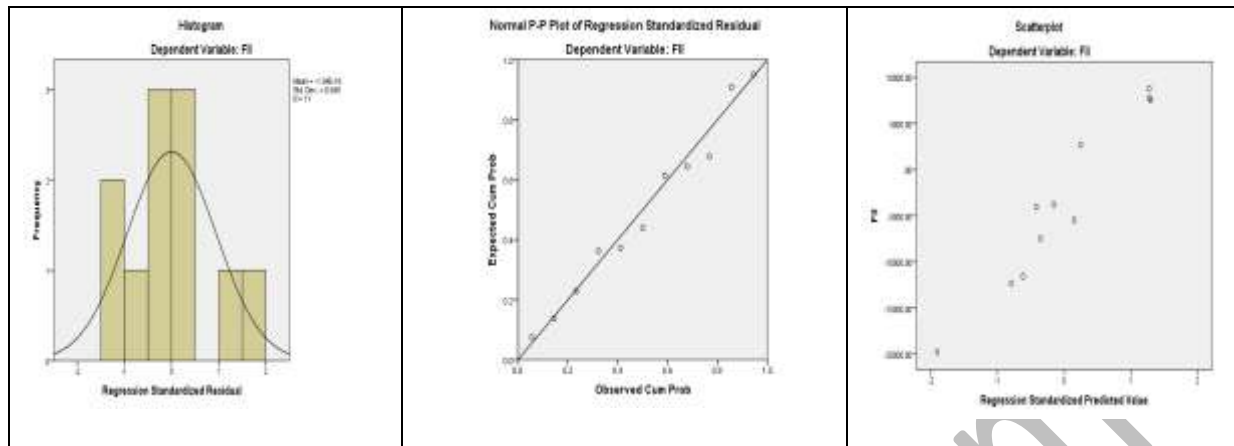
| Table. 7 Coefficients | | | | | | Interpretation: The table above provides us with the information on each predictor variable. This provides us with the information necessary to predict FDI from FII's. | |
|-----------------------|----------|----------------|------------|--------------|---------|--|------|
| Model | | Unstandardized | | Standardized | t | | Sig. |
| | | B | Std. Error | Beta | | | |
| 1 | Constant | 2023.894 | 838.347 | | 2.414 | | .039 |
| | DII | -1.379 | .113 | -.971 | -12.153 | .000 | |

a Dependent Variable: FII

| Table.8 Residuals Statistics ^a | | | | | |
|---|-------------|------------|------------|----------------|----|
| | Minimum | Maximum | Mean | Std. Deviation | N |
| Predicted Value | -20642.3672 | 8301.7373 | -3424.6091 | 9029.72123 | 11 |
| Residual | -3381.30005 | 3878.04736 | .00000 | 2228.95102 | 11 |
| Std. Predicted Value | -1.907 | 1.299 | .000 | 1.000 | 11 |
| Std. Residual | -1.439 | 1.651 | .000 | .949 | 11 |

a Dependent Variable: FII

Charts



The histogram indicates that the residuals approximate a normal distribution. The Q-Q-Plot of z^*_{pred} and z^*_{presid} shows us that in our linear regression analysis there is no tendency in the error terms.

In a simple model like this, with only two variables, you can get a sense of how accurate the model is just by relating *the variables*.

Basis for the above scatter chart is FII, DII and combined activity in X-Axis and NIFTY movement in Y-Axis. The chart format supports the computed correlation between the four i.e. FII, DII, Combined and NIFTY. Arrow (or trend line in our parlance) drawn across depicts the positive and inverse relationship between FII-NIFTY, Combined-NIFTY and DII-NIFTY.

Observations

1. The two series have been first tested for correlation and the outcome was -0.971, which clearly depicts that there is a strong negative correlation which signify that both the series move together in the opposite direction.
2. It shows that when FII moves up, DII goes down and when FII goes down, DII goes up.
3. The two series has been applied for ANOVA in which the f value is beyond 4 and very low p value thus the Null hypothesis is rejected.
4. So, in this paper the null hypothesis has been rejected.
5. It can be said that the FII movements has an impact on the movement of DII and since the correlation is negative which clearly depicts that if FII decreases the DII increases and vice-versa. Therefore, if the data is taken for FII and DII, it can be clearly seen that mostly in all the positive FII values there is negative corresponding values of DII and vice versa e.g. Oct. to Dec. 2016 which was the phase of demonetisation in the economy the net investment done by FII was -37077.84 cr indicating FII has sold more during this phase.

Limitations of the Study

- Time period is specified from 2006 to 2017.
- Only DIIs & FIIs are taken into consideration as market participants.
- Monthly data is used for the entire study period.
- Currency effect is not considered.

Scope for further Research

- Time period could be taken differently.
- Along with FIIs & DIIs, SME, HNI and other market participants could be included.

- Instead of Monthly data, daily data could be used.
- Currency effect could have been implemented too.
- FDI can be also taken as a parameter.

Concluding Remarks

India is being viewed as a potential opportunity by investors, with the economy having the capacity to grow tremendously. Buoyed by strong support from the government, FII investments have been strong and are expected to continue to improve going forward.

Impact investments in India are expected to grow at a compound annual growth rate (CAGR) of 20-24 % to touch US\$ 6-8 billion by 2025, from US\$ 1 billion in 2015,

Thus India has the potential of attracting more funds into the economy but the internal and external turmoil's affect it and thus leads to major effects on the movement of FII and DII. Because it has been proved that the FII movement affects stock market indices thus affecting the DII movement also.

The major finding of the study shows that there is a negative relationship between the Foreign Institutional Investors and Domestic Institutional Investors. If we take them together the FIIs investment influence the investment behavior because of their larger volumes. If we see the forecast of the investment behavior of institutional investor for the next 2 years i.e. 24 months we can say the FIIs will show the upward movement and DIIs will show the downward movement in Indian Stock Market Investments. If we look at the total investment of Institutional investors we can see the upward movement because of the large volumes by FIIs investment in Indian Stock Market.

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