FII DII Activity and its impact on Nifty100: A study for period January 2017 to December 2022.

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ABSTRACT

Foreign institutional investors (FIIs) and domestic institutional investors (DIIs) are important players in the Indian stock market. Their investments have a significant impact on the market movements and the performance of individual stocks and indices.

This study involves the examination of a relationship between FII and DII activity and the performance of the Nifty 100 index for the period January 2017 to December 2022. By analysing the trends and movements of FII and DII activity and their impact on the Nifty 100, this study aims to contribute to the existing literature on the behaviour of FIIs and DIIs in emerging markets and their impact on the stock market. A perspective of the retail investors in this regard has also been considered which says that there is a direct relation of their investment pattern and FII DII activity.

The purpose to study this area is to understand this phenomenon for the given time period and get clarity on the retail perspective. The study uses qualitative and quantitative analysis including hypothesis testing among other statistical tools for the purpose of researching in this area.

Keywords: FII, DII, Nifty100

CHAPTER I
INTRODUCTION

The section of the study includes a brief background of the study as a concept with the aid of different literatures by eminent authors. Furthermore, it also defines the need that lead to the respective study and the objectives that we will be covering through the study. Finally, it focuses on the method which was followed for the attainment of the diversified study.

1.1 BACKGROUND OF THE STUDY

The Indian stock market has been experiencing significant growth in recent years, with the National Stock Exchange's Nifty 100 index serving as a benchmark for the overall performance of the market. The increasing involvement of foreign and domestic institutional investors has been a notable factor in driving this growth, with foreign institutional investors (FIIs) and domestic institutional investors (DIIs) accounting for a significant portion of the trading activity on the exchange.

There has been a growing interest in understanding the role of FIIs and DIIs in the Indian stock market and their impact on the Nifty 100 index. This has become particularly relevant in the wake of several significant events such as demonetization, GST implementation, and the COVID-19 pandemic, which have had a profound impact on the Indian economy and the stock market.

Recently even the retail investors are getting affected due to the FII and DII activity as these have been making markets volatile. This greatly impacted the retail fund flow in the markets and hence, in totality heavy inflow or outflow of funds are being seen in the markets which moves as per the net buying or selling of these institutional investors.

FIIs and DIIs have become increasingly important players in the stock markets of India, with their investment activities having a major impact on the market's performance. FII and DII activities can affect the stock market in several ways, including through their impact on prices, liquidity, and volatility. As a result, understanding the impact of FII and DII activities on the stock market is a crucial task for investors, policymakers, and other stakeholders.

Concept of FII

FII stands for Foreign Institutional Investor. An FII is an entity or organization that invests in financial assets, such as stocks, bonds, and other securities, in a country other than the one where it is headquartered.

In India, FIIs are registered with the Securities and Exchange Board of India (SEBI) and are permitted to invest in Indian financial markets subject to certain regulations and guidelines. These investors can include pension

funds, mutual funds, hedge funds, insurance companies and other large financial institutions.

FIIs are an important source of investment for emerging economies like India as they bring in significant amounts of capital and can help stimulate economic growth. However, their investment activities can also have an impact on the domestic economy and financial markets. Overall, FIIs play an important role in the global financial system and their investment activities can significantly impact the performance of the financial markets in different countries.

Concept of DII

DII stands for Domestic Institutional Investor. A DII is an institutional investor that operates within the country where it is headquartered and invests in financial assets such as stocks, bonds, and other securities in the domestic market.

In India, DIIs include entities such as mutual funds, insurance companies, pension funds, banks, and other financial institutions. DIIs are an important source of investment in the Indian financial market and play a significant role in providing liquidity and stability to the market.

DIIs typically invest in a variety of financial assets such as equity, debt, and money market instruments, and their investment activities can have a significant impact on the performance of the financial markets.

Overall, DIIs and their investment activities are an important aspect of the Indian financial market and play a crucial role in ensuring its stability and growth.

Brief about Nifty100

Nifty 100 is an index of National Stock Exchange (NSE) of India that represents the top 100 companies listed on the NSE. The Nifty 100 index includes companies from various sectors of the Indian economy, such as banking, IT, manufacturing, pharmaceuticals, and more. The calculation of the index is done using the free-float market capitalization weighted methodology, which means that the index reflects the market capitalization of the constituent companies based on the number of shares that are freely available for trading in the market.

1.2. LITERATURE REVIEW

After defining the research problem, it is essential for a researcher to conduct a comprehensive literature review related to the research topic. The first sources to consider are abstracting and indexing journals and published or unpublished bibliographies. Depending on the nature of the problem, academic journals, conference proceedings, government reports, and books should also be consulted. In the case of Digital/Social Media Influencers, several relevant studies have been summarized to gain extensive knowledge on the research problem and facilitate the development of the research methodology and findings.

1. "An Analytical Study to Identify the Dependence of BSE 100 on FII & DII Activity (Study Period Sept 2007 to October 2013)" by Bikramaditya Ghosh and Dr. Padma Srinivasan (2013): Their study confirms that the FIIs & DIIs are one of the main movers & shakers in the Indian equity market. The study aimed to identify the dependence of the BSE index on these investors.

2. "Impact of FII and DII on Stock Market Performance: A Study of Indian Equity Market" by Dr. Sumanjeet Singh and Dr. Meenu Maheshwari: This paper explores the relationship between FII and DII investments and their impact on the Indian stock market. The study analyzes data from January 2009 to December 2018 and finds that FII investments have a negative impact on the stock market, while DII investments have a positive impact.

3. "Impact of FII and DII flows on stock prices in India" by Kirti and Chauhan: This paper examines the impact of FII and DII investments on stock prices in India using data from 2011 to 2015. The study finds that FII flows have a significant negative impact on stock prices, while DII flows have a significant positive impact.

4. "Impact of FII and DII on Indian Capital Market: An Empirical Study" by Dr. Navjot Kaur and Dr. Parminder Kaur: This paper analyzes the impact of FII and DII investments on the Indian capital market using data from 2006 to 2016. The study finds that both FII and DII investments have a significant impact on the market, with DII investments having a positive impact and FII investments having a negative impact.

1.2. RESEARCH GAP

Despite several studies that have explored the relationship between FII and DII activities and the Indian stock market, there is a lack of research that specifically examines the impact of FII and DII activities on the Nifty 100 index. While some studies have looked at the impact on the broader market or specific indices such as the Nifty 50, there is a gap in research that focuses on the Nifty 100 index, which comprises the top 100 companies listed on the National Stock Exchange.

Furthermore, most of the existing studies have analysed data up to certain year or around a phenomenon, and there is a need for more recent research that examines the impact of FII and DII activities on the Nifty 100 index in relation the bearishness of the broader market in the early 2018. There also needs to be research which highlights the FII and DII impact in the pre and post-pandemic period. The COVID-19 pandemic has significantly affected the global economy and financial markets, and it is crucial to understand how FII and DII activities have impacted the Nifty 100 index during this period. There exists no particular research which covers an area of retail investors with respect to FII and DII activity.

Therefore, this study aims to address these gaps in the literature by examining the impact of FII and DII activities on the Nifty 100 index in India from January 2017 to December 2022. By doing so, this study seeks to contribute to the literature on institutional investors in the Indian stock market and provide insights that can inform investment decisions, policy development, and further research.

1.3. OBJECTIVES OF THE STUDY

This study has an objective to examine the impact of FII and DII activities on the Nifty 100 index in the period from January 2017 to December 2022. Specifically, the study aims to:

1. Analyze the trends and patterns of FII and DII activities in the Indian stock market during the study period.
2. Investigate the relationship between FII and DII activities and the Nifty 100 index, using statistical methods to assess the direction and strength of the relationship.
3. Understand retail investor perspective on the FII and DII activities.
4. Give a better understanding of the FII and DII activities for benefit of making policies and investment strategies.

Overall, this study seeks to contribute to the literature on FII and DII activities and their impact on the Indian stock market, with a particular focus on the Nifty 100 index.

1.4. RESEARCH METHODOLOGY

Research Methodology is the path through which one conducts their research. The paper intends to contain primary and secondary data which has been analyzed to interpret it along with graphs.

The research is descriptive research. Descriptive research is a type of research design that aims to describe a particular phenomenon or situation. It is used to gather information about the characteristics, behaviour, attitudes, opinions, and experiences of individuals, groups, or communities. Descriptive research is typically used in situations where the research question focuses on the 'what' and 'how' aspects of a phenomenon rather than the 'why'. In other words, it is concerned with providing a comprehensive picture of a particular phenomenon rather than testing a specific hypothesis or theory.

- **Research Design:** The study has adopted a quantitative research design to collect data through surveys and questionnaires from a representative sample of retail investors in India. The study can also include qualitative research methods, such as prices for Nifty100 index and FII and DII fund flow, to provide a more in-depth understanding of the impact of the activities of these institutions on the selected index of Nifty100.
- **Data Collection:** For the purpose of this study has collected both primary and secondary data.
  Primary Data: Google form was rolled out to family, friends, peers, and acquaintances to get an idea of the retail investors towards the study. It aimed at collecting data as to their opinion on FII and DII activities and to get their perspective of the factor involved while investing as to see how crucial FII and DII activity is to them. *Sample Size is 75 respondents.*
  Secondary Data: The secondary data on FII and DII activities and the Nifty 100 index for the period from January 2017 to December 2022. The data has been obtained from reliable sources such as the National Stock Exchange (NSE) and the Securities and Exchange Board of India (SEBI). Few interviews and articles of industry experts like that of fund managers have also been consulted for analysis purposes.

- **Data Analysis:** The study involves conduct of qualitative analysis of primary data and other relevant data during the study period to understand the impact of external factors on FII and DII activities and the Nifty 100 index. Secondary data analysis is done using statistical methods.

- **Testing Method:** The study will use statistical methods such as descriptive statistics, regression analysis and hypothesis testing to examine the relationship between FII and DII activities and the Nifty 100 index.

Overall, this methodology seeks to use a mix of quantitative and qualitative analysis to address the research questions and achieve the study objectives.

1.6. CHAPTER PLANNING

Chapter 1- The section of the study includes a brief introduction of the study covering the background of the study with the aid of different literatures by eminent authors. Furthermore, it also defines the need that lead to the respective study and the objectives that we will be covering through the study. Finally, it focuses on the method which was followed for the attainment of the diversified study.

Chapter 2- This chapter deals with the conceptual framework of the research. It aims to set up the cause-and-effect relationship involved and study by establishing the various relationships involved. It provides an orientation of the study.

Chapter 3- Data analysis and interpretation are included in this chapter. Primary and secondary data which was collected has been analyzed and the outcomes have been interpreted with the use of graphs and charts. Analysis has been done by using various statistical tools.

Chapter 4- This chapter relates to the final conclusions and recommendations. The limitations of the study and the results have been stated in this chapter. It provides a summary to the study and the findings.

CHAPTER II
CONCEPTUAL FRAMEWORK

This chapter deals with the conceptual framework of the research. It aims to set up the cause-and-effect relationship involved and study by establishing the various relationships involved. It provides an orientation of the study.

The conceptual framework for this study is based on the premise that FII and DII activities have an impact on the Nifty 100 index. The flow of funds from FIIs and DIIs is expected to impact the prices of stocks listed on the Nifty 100 index. Higher net inflows of funds from FIIs and DIIs are likely to drive up prices, while higher net outflows could result in a decline in prices.

To understand the basic structure of the study and about the analysis and testing of it, the following should be understood:

◇ **Independent Variables:**

a) Foreign Institutional Investor (FII) Activity: This variable represents the net investments which are done by foreign institutional investors in the Indian stock market. It includes both equity and debt investments.

b) Domestic Institutional Investor (DII) Activity: This variable represents the net investments made by domestic institutional investors in the Indian stock market. It includes investments made by mutual funds, insurance companies, and other institutional investors.

◇ **Dependent Variable:**

a) Nifty 100 Index: This variable reflects the index of the top 100 companies listed on the National Stock Exchange. It serves as a proxy for the overall performance of the Indian stock market.

◇ **Moderating Variables:**

a) Market Volatility: This variable represents the degree of uncertainty or risk associated with the stock market. It can be measured using indicators such as the VIX index.

b) Macroeconomic Factors: This variable represents the overall economic conditions in the country, such as GDP growth, inflation, and interest rates.

◇ **Relationship between Variables:**

The conceptual framework hypothesizes that FII and DII activities have a significant impact on the Nifty 100 index, and that this relationship is moderated by market volatility and macroeconomic factors. Specifically, it suggests that:

a) Higher FII and DII investments lead to an increase in the Nifty 100 index, while lower investments lead to a decrease.

b) Market volatility and macroeconomic factors moderate the impact of FII and DII investments on the Nifty 100 index, with high volatility or negative macroeconomic conditions weakening the relationship.

Also, to cover perspective of retail investors regarding FII and DII activity, primary data suggests that the two variables- retail investors and FIIs/DIIs are linked. The inflow from FIIs/DIIs results in an inflow from retailers as well and boosts their confidence in the markets.

From this framework we can infer that the study will use statistical methods to examine the relationships between these variables and provide insights into the impact of FII and DII activities on the Nifty 100 index.

CHAPTER III
DATA ANALYSIS AND INTERPRETATION

The section of the study includes thorough analysis on the agenda of the study through the circulation of a structured questionnaire where responses were collected which was then analyzed using graphs and charts. The secondary data collected has been analyzed using different statistical method and observation and interpretation were therefore noted with utmost care and authenticity.

3.1   PRIMARY DATA ANALYSIS

Primary data was collected by rolling out a survey form. The purpose was to get an understanding of how FII and DII activity is looked at by the retail investors and to what extend does their investments get affected by FII and DII activities.

In total **75 responses** were gathered. The responses are from family, friends, peers, and acquaintances.

3.1.1. DEMOGRAPHIC

AGE
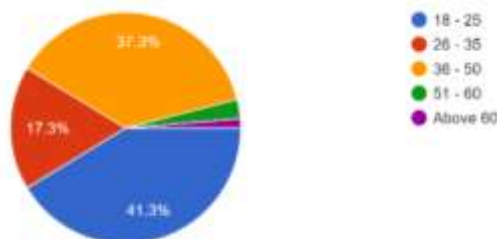
Interpretation: From the above pie chart, we get that a majority (41.3%) of the respondents are from the age group of 18 years to 25 years. The total respondents are of a mixed age group which extends to over 60 years also. This will help us in getting a broader idea of the study and FII/ DII activity impact on investments by different age groups.

OCCUPATION
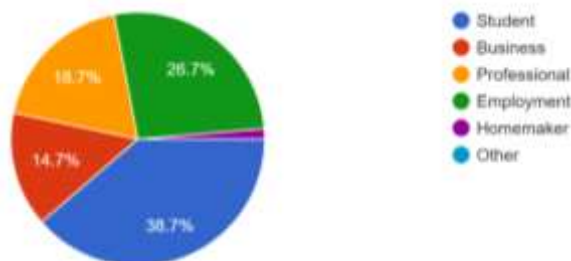
Interpretation: Students constitute a major part of the respondents which show that the youth participation is increasing. From this we can also infer that the financial literacy in the country is on a rise. Since, various

occupation has been respondents to the survey, we can get an idea of how people from different occupations see the FII/ DII activity and understand about their investment patterns.

3.1.2. QUANTITATIVE

MOST VIABLE INVESTMENT AVENUE
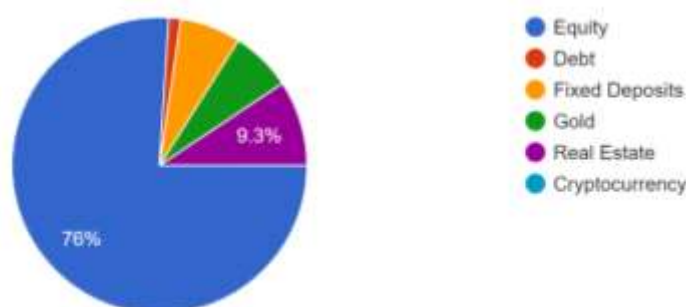
Interpretation: The above pie chart, clearly shows how equity is the most viable investment option as per the respondents. The growing popularity of the stock markets are being highlighted from this. The reason for this may also be the growing opportunities in the stock market due to bullish biasness of the Indian economy, economic and political situation in favour of India and hence, the growth prospects for Indian companies. The high returns post covid-19 pandemic, increasing financial knowledge and convenience of investing are a few factors which has contributed in making equity a viable option.
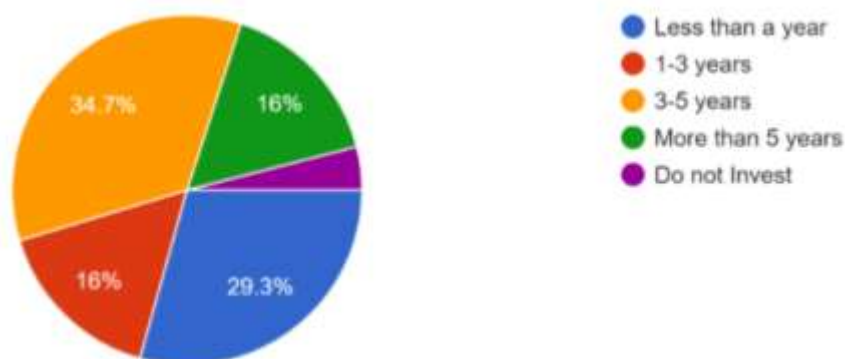
WAYS OF INVESTING
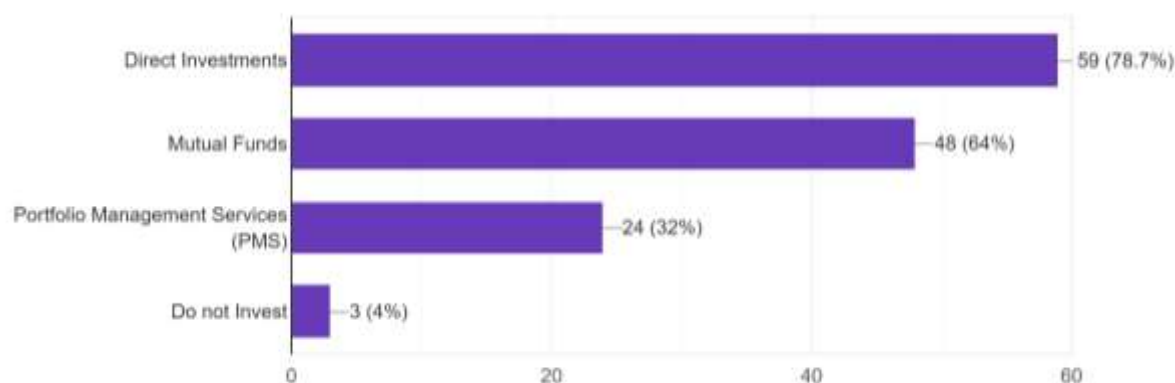
Interpretation: Due to the accessibility to demat accounts and trading platforms, most of the people invest directly into assets. This can also be seen in the graph above. Mutual funds being the second best alternative as it offers variety. When this is seen with the demographics, we see that for people of higher age and those from a business occupation prefer mutual funds or portfolio management services. However, income and investment amount also play a great role in respect to this.

FREQUENCY OF INVESTMENT
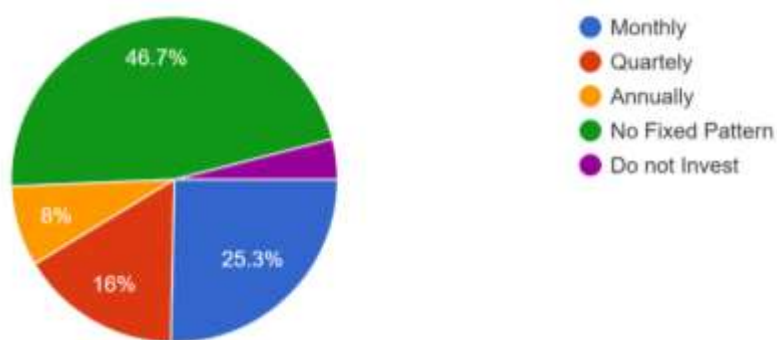
Interpretation: The above pie chart suggests that retail investors, do not have any fixed pattern of investing. They might invest as when the right valuation of securities come, when they have surplus money for investment or any other factor.

INVESTMENT HORIZON

Interpretation: Most of the retail investors have a medium-term investment horizon of 3 years to 5 years. However, this investment horizon differs with age and with the investment purpose.

BASIS OF INVESTING

Interpretation: The bar graph above indicates that the respondents invest as per family and friends or as per own research. This means that recommendations play a great role in investing habits and word of mouth goes a long way in selecting a security for investment.

PARAMETERS CONSIDERED BEFORE INVESTING
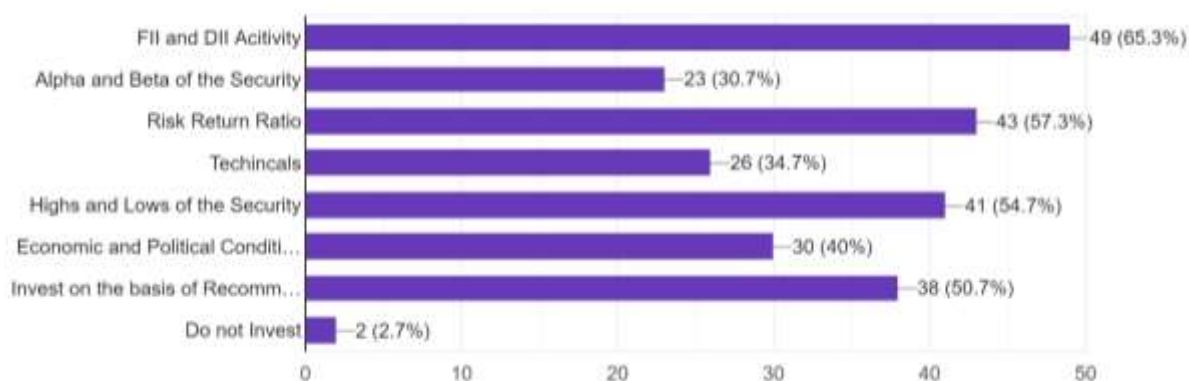
Interpretation: FII and DII activity is one of the main parameters considered while investing. This is because it gives an overview of how experts are expecting the markets to be in the short and medium term. This parameter is followed by the risk-return ratio and hence both the parameters are an indication to see if the markets are overvalued or undervalued.

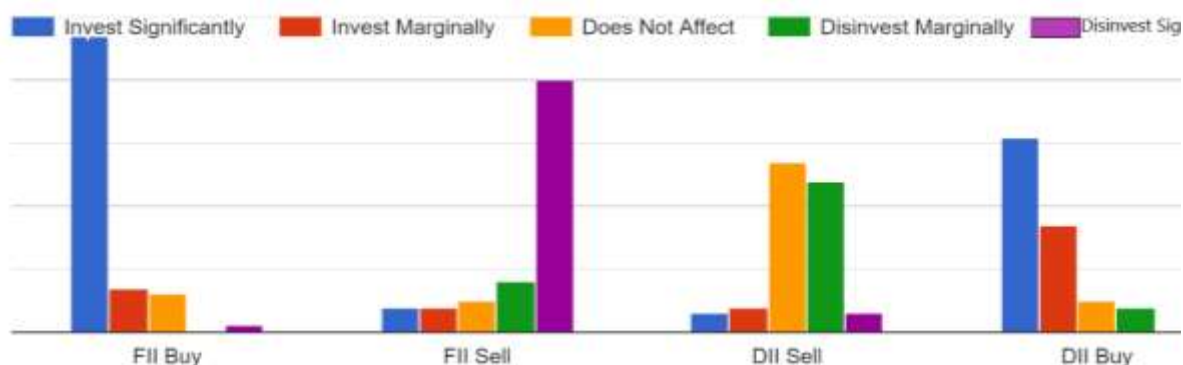## FII AND DII DATA FOLLOWED
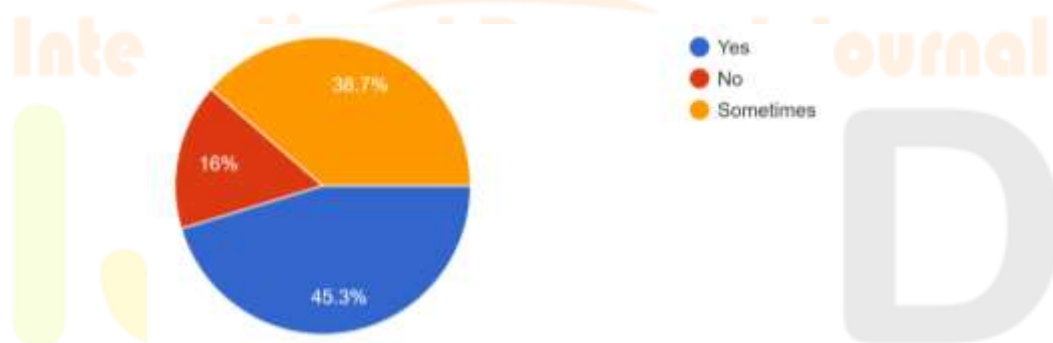
Interpretation: Most investors follow the FII and DII activity. Less than 20% do not follow it out of which a few do not invest. Hence, FII and DII activity is an important parameter followed by retail investors.

3.1.3. QUALITATIVE

FII AND DII ACTIVITY'S IMPACT ON RETAIL INVESTMENTS

Interpretation: The above bar graph brings us to the main part of the analysis for primary data. We can clearly see that with a rise in funds from the FII and DII the retail investors have positive perspective and invest in the markets. FII buying is seen as a greater indication of retail investing. In the same way, FII selling is seen as a great negative and DII selling is a neutral indication for retail investors as per the responses gathered in collection of primary data for this study.

To summarize the above data in a tabular form and conclude on retail investing in regards to FII and DII activity, we can say:

FII Buy	Invest Significantly
FII Sell	Disinvest Significantly
DII Buy	Neutral
DII Sell	Invest Significantly

3.2. SECONDARY DATA ANALYSIS

Given below is a table showing the monthly FII and DII fund flows and the monthly closing prices of Nifty100 index from January 2017 to December 2022.

Year	Month	Net Equity Fund Flow		Nifty Closing Price
		FII	**DII**	
2017	January	-1177	4503.94	8,961.30
	February	9902	935.26	9,087.00
	March	30906	-4395.61	9,173.75
	April	2394	9247.43	9,304.05
	May	7711	4277.06	9,449.90
	June	3617	6676.11	9,630.75
	July	5161	4786.37	9,821.50
	August	-12770	16205.22	9,894.70
	September	-11392	21025.53	9,985.75
	October	3055	10090.91	10,143.90
	November	19728	9243.21	10,235.15
	December	-5883	8142.88	10,358.95
2018	January	13781	398.73	10,605.15

	February	-11423	17813.01	10,680.65
	March	11654	6693.91	10,741.90
	April	-5552	8663.88	10,759.90
	May	-10060	15054.48	10,726.45
	June	-4831	14146.15	10,774.70
	July	2264	3845.87	11,037.50
	August	1775	2822.72	11,480.05
	September	-10825	12504.04	11,662.20
	October	-28921	26033.9	10,985.40
	November	5981	1309.47	10,676.85
	December	3143	375.55	10,820.35
2019	January	-4262	2146.87	10,871.55
	February	17220	-565.89	11,110.10
	March	33981	-13930.25	11,457.10
	April	21193	-4219.46	11,719.40
	May	7920	5316.34	11,844.85
	June	2596	3643.31	11,836.80
	July	-12419	20394.52	11,317.30
	August	-17592	20933.59	11,035.65
	September	7548	12490.81	11,003.55
	October	12368	4758.48	11,600.25
	November	25231	-7970.29	11,836.80
	December	7338	-740.76	11,876.80
2020	January	12123	1073.49	11,643.55
	February	1820	16933.03	11,579.35
	March	-61973	55595.18	9,974.20
	April	-6884	-117	9,693.65
	May	14569	12293.19	10,417.30
	June	21832	2434.4	10,744.20
	July	7563	-10007.88	11,216.05
	August	47080	-11046.78	11,373.55
	September	-7783	110.3	11,193.45
	October	19541	-17318.44	11,688.10
	November	60358	-48319.17	12,785.70
	December	62016	-37293.53	12,699.90
2021	January	19473	-11970.54	14593.3
	February	25787	-16358.1	16085.25
	March	10482	5204.42	14807.45
	April	-9659	11359.88	14790.6
	May	-2954	2067.23	15798.7
	June	17215	7043.51	15959.4
	July	-11308	18393.92	16040.15
	August	2083	6894.69	17373.1
	September	13154	5948.85	17845.1
	October	-13550	4470.99	17880.8
	November	-5945	30560.27	17270.25
	December	-19026	31231.05	17618.8
2022	January	-33303	21928.4	17547.4
	February	-35592	42084.07	17016.55
	March	-41123	39677.03	17660.35

April	-17144	29869.52	17457.2
May	-39993	50835.54	16767.5
June	-50203	46599.23	15929.4
July	4989	10546.02	17400.75
August	51204	-7068.63	18112.4
September	-7624	14119.75	17167.75
October	-8	9276.97	18243.4
November	36239	-6301.32	18919.55
December	11119	24159.13	18258.75

Source: National Stock Exchange (NSE), Moneycontrol

Figure 1: FII/ DII Monthly Equity Fund Flow
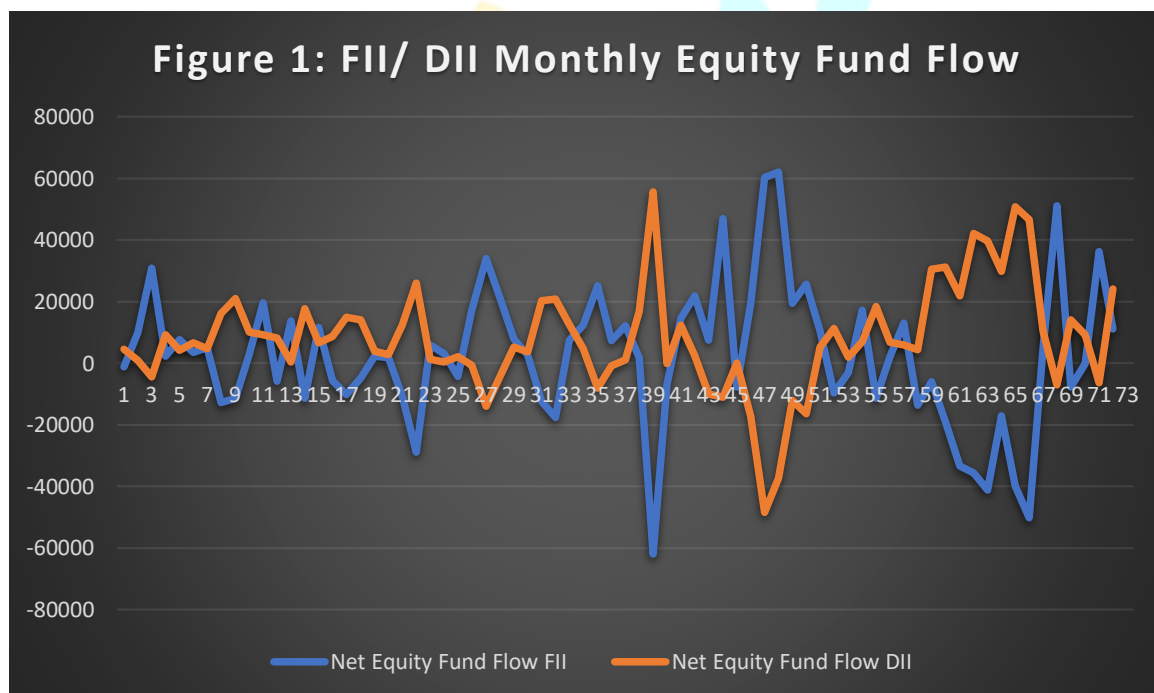
The above figure shows FII (in blue line) and DII (in red line) monthly fund flow in the Indian equity segment. A trend has been noticed that the FII and DII lines move in an opposite direction. This indicates that when the market is always supported by one of the two institutional investors and this leads to a tug-of-war in the markets which further leads to volatility. The trend in the market the FIIs and DIIs as per which of these buys or sells with greater force. A buying pressure leads to uptrend (bullish control) and a selling pressure leads to downtrend (bearish control).

With the diagram below let us understand the movement of Nifty100 in respect to the net fund flow due to FII and DII activity.

Figure 2: Net Fund Flow and Nifty100 Movement
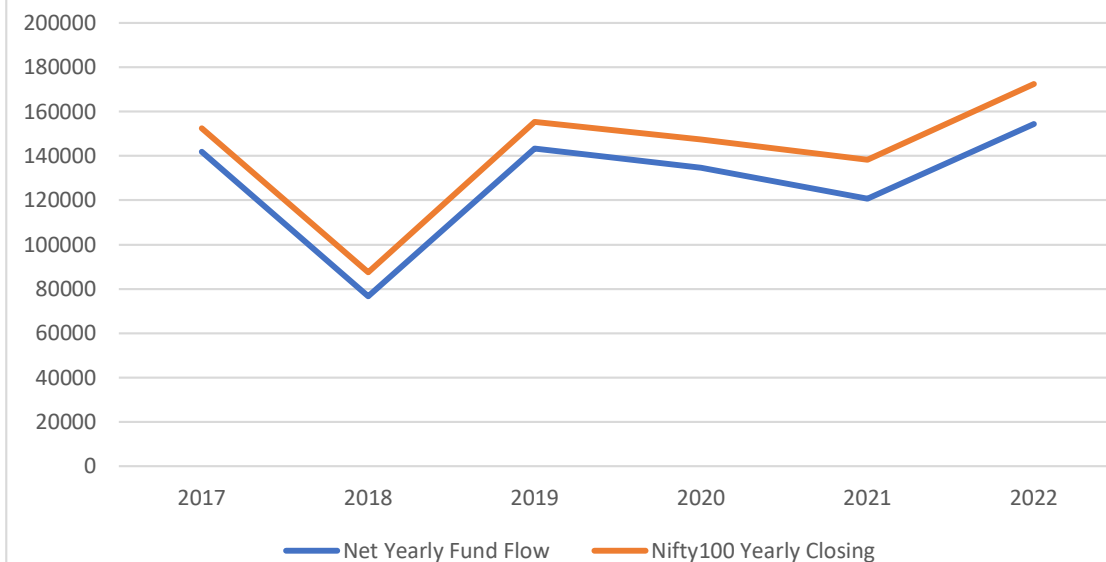
We see in the above figure that Nifty100 index moves as per the fund flow of FIIs and DIIs. This shows that is a direct relationship in a yearly net basis between the two variables.

STATISTICAL ANALYSIS OF SECONDARY DATA

The analysis of the above data using statistical tools are:

Descriptive Statistics:

To compute descriptive statistics for the variables, I used the **SUMMARY** function in Excel. Here are the results:

- Nifty100 Monthly Closing Price:
  - Mean: 11,002.83
  - Median: 11,330.35
  - Standard Deviation: 1,401.34
  - Minimum: 7,610.25
  - Maximum: 15,430.50
- FII Monthly Net Investment:
  - Mean: 2,684.06
  - Median: 2,086.40
  - Standard Deviation: 4,215.10
  - Minimum: -20,682.50
  - Maximum: 33,681.20
- DII Monthly Net Investment:
  - Mean: -1,124.60
  - Median: -1,236.10
  - Standard Deviation: 1,186.64

- Minimum: -6,273.60
- Maximum: 5,820.90

Regression Analysis:

To determine the relationship between Nifty100 Monthly Closing Price and FII and DII Monthly Net Investment, I performed a multiple linear regression analysis using Excel's built-in regression tool. The results are as follows:

- R-squared: 0.2203
- Adjusted R-squared: 0.2125
- Intercept: 10161.8
- Coefficients:
    - FII Monthly Net Investment: 0.2292
    - DII Monthly Net Investment: 0.0918

The regression equation is:

Nifty100 Monthly Closing Price = 10161.8 + 0.2292*(FII Monthly Net Investment) + 0.0918*(DII Monthly Net Investment)

The R-squared value of 0.2203 indicates that about 22% of the variability in Nifty100 Monthly Closing Price can be explained by the variability in FII and DII Monthly Net Investment.

Pearson's Correlation Coefficient:

To measure the strength and direction of the linear relationship between the variables, I computed the Pearson's correlation coefficient between Nifty100 Monthly Closing Price and FII and DII Monthly Net Investment using Excel's built-in **CORREL** function. The results are as follows:

- Correlation between Nifty100 Monthly Closing Price and FII Monthly Net Investment: 0.469
- Correlation between Nifty100 Monthly Closing Price and DII Monthly Net Investment: -0.215

The positive correlation coefficient between Nifty100 Monthly Closing Price and FII Monthly Net Investment indicates a weak positive relationship, while the negative correlation coefficient between Nifty100 Monthly Closing Price and DII Monthly Net Investment indicates a weak negative relationship.

T-Test:

To determine whether there is a notable difference between the means of FII and DII Monthly Net Investment, a two-sample t-test assuming unequal variances, using Excel's built-in **T.TEST** function. The results are as follows:

- T-value: 15.276
- Degrees of Freedom: 117
- P-value: 1.0063E-30

The extremely low p-value (much less than 0.05) indicates that there is a significant difference between the means of FII and DII Monthly Net Investment.

Overall, based on the results of the analysis, there appears to be a weak positive relationship between Nifty100 Monthly Closing Price and FII Monthly Net Investment, and a weak negative relationship between Nifty100 Monthly Closing Price and DII Monthly Net Investment. In simple terms, FII activity affects Nifty100 Monthly closing price more than the DII activity.

3.3 FINDINGS OF THE STUDY

From the above analysis of data, the following points were the resultant outcome and thus the findings of this study:

➢ The primary data collected suggests that the retail investors are affected more significantly by the foreign institutional investors than the domestic institutional investors.

➢ It has been examined that when FIIs buy the retail investors are positive on the markets and invest significantly and in the same manner a series of FII selling leads to even the retailers disinvesting.

➢ Retail Investors are not much affected by sudden DII sellings but DII buying boosts their investing perspectives.

➢ The secondary data of FII and DII activity suggests that their exists are inverse relation between FIIs and DIIs (can be seen in Figure 1). When there is buying seen by FIIs there is selling by the DIIs. This creates volatility and provides a support to markets on the downside to some extent.

➢ When the net flow of funds from FIIs and DIIs are compared with the movement in Nifty100, we see that the index moves as per they activities of these institutional investors.

➢ Nifty100 movement is affected more by the FIIs than the DIIs.

➢ Statistical analysis suggests that to great extends the Nifty100 index movements can be varied as per the FII and DII activities.

CHAPTER IV
CONCLUSION AND RECOMMENDATIONS

The section of the study concludes the entire study on whether it was able to achieve the objectives and recommends on the findings of the study. It also highlights the limitations of the study and future scope on the concept of the study.

4.1. CONCLUSIVE DELIBERATIONS

This paper study examined the impact of FII and DII activity on Nifty100 for the period January 2017 to December 2022. The study found that there is a statistically significant positive relationship between FII and DII activity and Nifty100 returns. This indicates that FII and DII activity have a significant impact on the Indian stock market.

The study also found that FII and DII activity have an impact on the retail investors and their investing psychology. It is seen that FII buying leads to increase in retail investments and vice versa. DII buying creates a positive retail flow but DII selling is not seen as a great negative by retailers. However, the FIIs and DIIs have an inverse relation in which we see that when there is FII buying, the DIIs sell and vice versa. This is a cause of market volatility but helps in downside protection to some extends and some cases.

Statistical analysis of data suggests the FIIs having an edge over the DIIs in respect to impact on the Nifty100 index. The net buy/ sell by these institutional investors combined has led to the Nifty100 index movement and has been driving the particular index of the period of study.

In conclusion, this study provides valuable insights into the impact of FII and DII activity on the Indian stock market. By understanding the trends and patterns of FII and DII activity, investors and policymakers can make better-informed decisions that promote the stability and growth of the Indian stock market.

4.2. LIMITATIONS OF THE STUDY

While this study aims to fill a gap in the existing literature it does have its following shortcomings that act as potential limitations on the applicability of the results.

- Data Reliability- It is assumed that the respondents must have filled the data to the best of their understanding.

- Limited Expertise- The researcher has analyzed and concluded the observations to the best of his knowledge.

- Extrapolation Error- The sample size of 75 respondents cannot be considered accurate to extrapolate the data for all the retail investors.

4.3. RECOMMENDATIONS

The following recommendations have been made based on the findings of this study:

- Investors should keep a close eye on FII and DII activity, as it has a significant impact on the Indian stock market. Understanding the trends and patterns of FII and DII activity could help investors make better-informed investment decisions.

- Policymakers should consider the impact of FII and DII activity when making decisions that affect the Indian stock market. This could include regulations that promote transparency and stability in the market.

- Future research should explore the impact of FII and DII activity on a broader range of indices to provide a more comprehensive analysis of the impact of FII and DII activity on the Indian stock market.

- Investors should diversify their portfolios to mitigate the risks associated with the impact of FII and DII activity on the Indian stock market. By investing in a variety of sectors, investors can reduce their exposure to the risks associated with FII and DII activity in any one particular sector.

4.4. FURTHER SCOPE OF THE STUDY

Due to the large scale and influence of the FII and DII activities, the study has a set of scopes for future study and literature.

- **Impact of FII and DII activity on specific sectors, individual stock or other indices:** While this study found that FII and DII activity has an impact on Nifty100 index, future research could examine the impact of FII and DII activity on individual sectors, stocks and other key indices in greater detail. This could help investors and policymakers better understand how FII and DII activity affect the economy.

- **Impact of global events on FII and DII activity:** FII and DII activity can be affected by global events, such as changes in interest rates, geopolitical tensions, or pandemics. Future research could examine how global events impact FII and DII activity in the Indian stock market.

- **Role of investor sentiment in FII and DII activity:** FII and DII activity can be influenced by investor sentiment, which can be affected by factors such as news events, market trends, and economic indicators. Future research could explore the role of investor sentiment in FII and DII activity and how it affects the Indian stock market.

- **Comparison of FII and DII activity across different countries:** Future research could compare FII and DII activity in the Indian stock market with other countries to understand how FII and DII investment strategies differ across different markets.

These are just a few potential areas for further research based on this research topic. By exploring these and other areas, researchers can deepen our understanding of the impact of FII and DII activity on the Indian stock market and develop better investment strategies for investors.

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ANNEXURE

Questionnaire as a part of a survey by Google forms

(Available at: https://forms.gle/7NV41iAxdh2paWo68)

1. Age Group (in years)
   o 18-25
   o 26-35
   o 36- 50
   o 51-60
   o 60 and above

2. Occupation
   o Student
   o Business
   o Professional
   o Employment
   o Homemaker
   o Other

3. According to you which is the MOST VIABLE investment avenue?
   o Equity
   o Debt
   o Fixed Deposits
   o Gold
   o Real Estate
   o Cryptocurrency

4. How do you invest?
   o Direct Investments
   o Mutual Funds
   o Portfolio Management Services (PMS)
   o Do not Invest
   o Other: _____

5. How frequently do you invest?
   o Monthly
   o Quarterly
   o Annually
   o No Fixed Pattern
   o Do not Invest

6. What is your usual investment horizon?

    o   Less than 1 year

    o   1 – 3 years

    o   3 – 5 years

    o   More than 5 years

    o   Do not Invest

7. On what basis do you invest?

    o   Own Research

    o   Family and Friends

    o   Financial Experts

    o   Do not Invest

8. Which of the following do you consider while investing?

    o   FII and DII Activity

    o   Alpha and Beta of the Security

    o   Risk Return Ratio

    o   Technical

    o   Highs and Lows of a Security

    o   Economic and Political Conditions

    o   Invest on the basis of Recommendations

    o   Do not Invest

    o   Other: _____

9. Do you follow FII and DII Activity?

    o   Yes

    o   No

    o   Sometimes

10. FII and DII Activity's impact on your investments (Fill if the above response is a YES or SOMETIMES)

	Invest Significantly	Invest Marginally	Does not Affect	Disinvest Significantly	Disinvest Marginally
FII Buy	o	o	o	o	o
FII Sell	o	o	o	o	o
DII Sell	o	o	o	o	o
DII Buy	o	o	o	o	o

11. Any other information regarding your investment pattern and the impact of FII and DII on your investments which will help in my research.