



# INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X

Impact factor: 4.295

(Volume3, Issue1)

Available online at: [www.ijariit.com](http://www.ijariit.com)

## Investor's Perception on Foreign Direct Investment (FDI) in Stock Market a Study with Special Reference to Chennai City

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**ABSTRACT-** *The paper puts light on our foreign direct investment schedule in stock exchanges, an overall approach to understand what investors think about it and how they react to it with regard to their investment criteria, whether they feel it is safe and profitable to invest in an MNC over a domestic concern or allowing more foreign concerns to establish themselves here would prove beneficial to the concerns of our country and would grow leaps and bounds.*

**Keywords-** *Perception of the investors, foreign direct investment in the stock exchanges, cash flow increase proportionate to economic development.*

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### I. INTRODUCTION

Foreign Direct Investment being the latest current topic of discussion these days due to our country's extensive way of advertising itself to attract more foreign investments for many reasons of economic development and for upgrading the country's standard of living along with technological enhancement.

FDI acts as a major financial instrument of growth for our country in the way of foreign investments (individuals) or foreign establishments (MNCs). FDI instruments have many investment alternatives that are made available to the investors to achieve increased investments. To encourage FDI our government has taken several measures to invite investments by providing subsidies, concessions and incentives.

Today India is said to be a lucrative destination to make investments by investors as the nation has formulated favourable FDI policies to make an easy penetration into the Indian market. No doubt that amount of the inflow of FDI will account to our growth in GDP but at the same time the Indian stock market will also be affected due to the inflow of FDI. This paper will attempt to study the impact of foreign direct investment on the Indian stock market. Various statistical tools will be applied in order to analyse the study.

### II. OBJECTIVES

1. To study the level of impact on investor decisions pertaining to FDI.
2. To understand investor perception to FDI.

### III. NEED OF THE STUDY

The study would enable and prove beneficial to understand the loopholes as to where we are going wrong with regard to our investment strategy and also where our country needs to fill in the gaps to ensure efficient functioning of developmental activities. The study would also help in understanding how mentality of an investor is regarding the safety of his investment and how much risk they are willing to take to derive at a legitimate Return on investment (ROI).

Sample size: 443

### IV. IMPORTANT TERMS REGARDING FDI

**Stock:** It is a kind of security in which the certificate holder enjoys the ownership rights in a company. Stock holders are said to be the real owners of the company.

**Bonds:** these are securities that hold the creditor ship rights in a company. They are entitled to get an interest which is normally fixed.

**Direct investment income:** it includes income on equity and income on debt.

**Investor:** investor is a person who invests his money in a fruitful venture.

**Investee:** investee is one in which an investor invests his funds.(either a person or a company)

**Exchange rate gain or loss:** It is a gain or loss caused by a change in the exchange rate. It is actually the differences in the price entered in the invoice and the price paid at a later date.

**Financial intermediary:** financial intermediaries are those who act as a middleman between those who have excess funds and are ready to lend and those who are in need of funds. They are the one who bridges the gap between the demand and supply position of funds in an economy.

**Types of intermediaries:** financial intermediaries include banks, credit unions, finance companies, insurance companies, stock exchanges, asset management companies, brokerage companies, mutual fund units etc.

**Outflows of FDI** refers to "exporting money" to "buy" or "build" foreign productive capacity, where the first country withholds its ownership.

### V. FOREIGN DIRECT INVESTMENT IN TAMIL NADU

1. The total FDI Tamil Nadu received in 2014-15 is USD 3.8 billion. It is over 80% more than the FDI of USD 2.1 billion registered in 2013-2014.
2. Cumulative FDI inflows from year 2000 to March 2011 stand at USD 6.8 billion. However, cumulative FDI inflows from April 2011 to April 2015 have been recorded at USD 11 billion, indicating a growth of about 70% in a period of four years.
3. Tamil Nadu was ranked no. 5 in 2011 in terms of FDI flows, accounting for 5% of the total FDI to India. Currently, it is ranked no. 3 in terms of FDI flows accounting for 7% of total FDI in India.

### VI. FOREIGN DIRECT INVESTMENT IN THE STOCK MARKETS

FDI has now been allowed in majority of sectors thus stock exchanges are no exception where an individual foreign investor can invest and also foreign concerns can list themselves. Pertaining to our 2016 budget norms the government of India to hike foreign entities to hold more than 15% in the domestic market listed, this will enable more foreign investments and also encourage increase in cash flow within the country, by which savings of people will increase and they would want to channel their saving to reap dividends and that would also be based on their risk taking capacity and market conditions with regard to speculations , it is assumed that the more foreign investments enter India the less speculative activities would be carried out due to a tight price bracket between most of the stock exchanges. Stock markets are a way through which the foreign Investors get variety of instruments and also various sectors of industries to invest in and hold shares leading to top authority management.

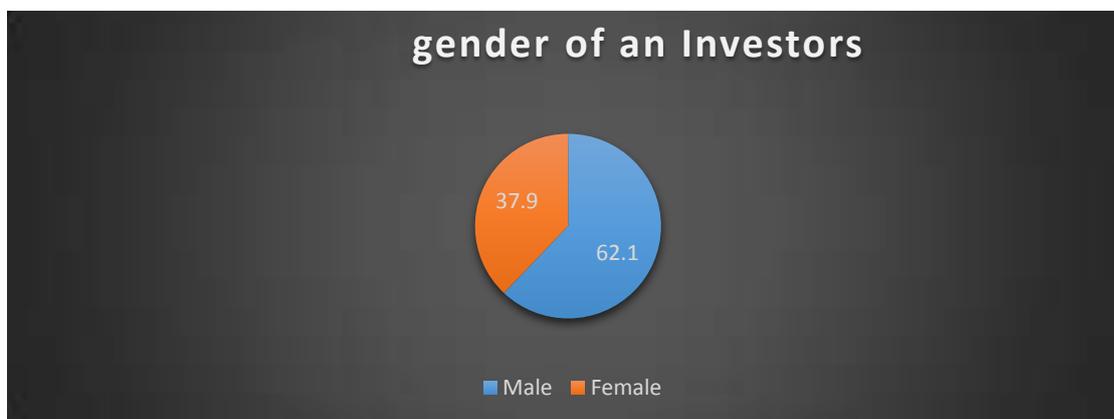
### VII. DATA ANALYSIS AND INTERPRETATION

#### DESCRIPTIVE ANALYSIS ON SAMPLE

Percentage analysis is one of the statistical measures used to describe the characteristics of the sample or population in totality. Percentage analysis involves computing measures of variables selected of the study and its finding will give easy interpretation for the reader.

Table 1 Frequency Distribution of Gender of Investors

Gender	Frequency	Percentage
Male	275	62.1
Female	168	37.9
Total	443	100.0

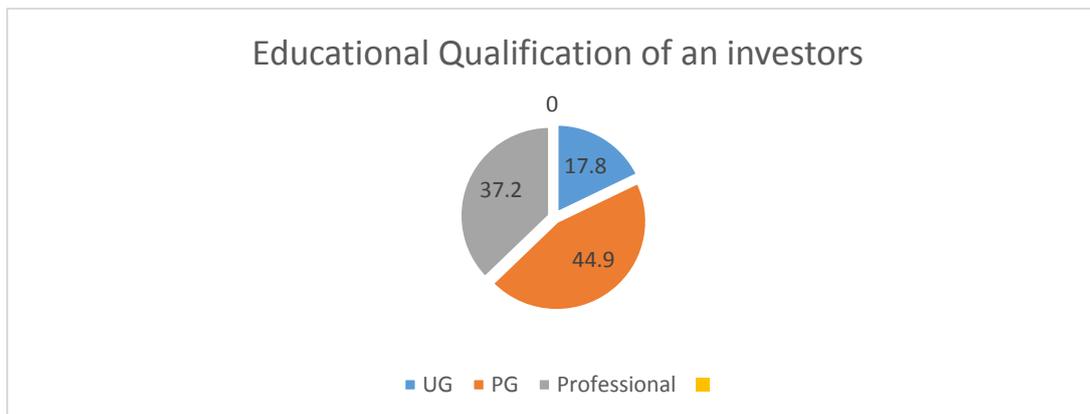
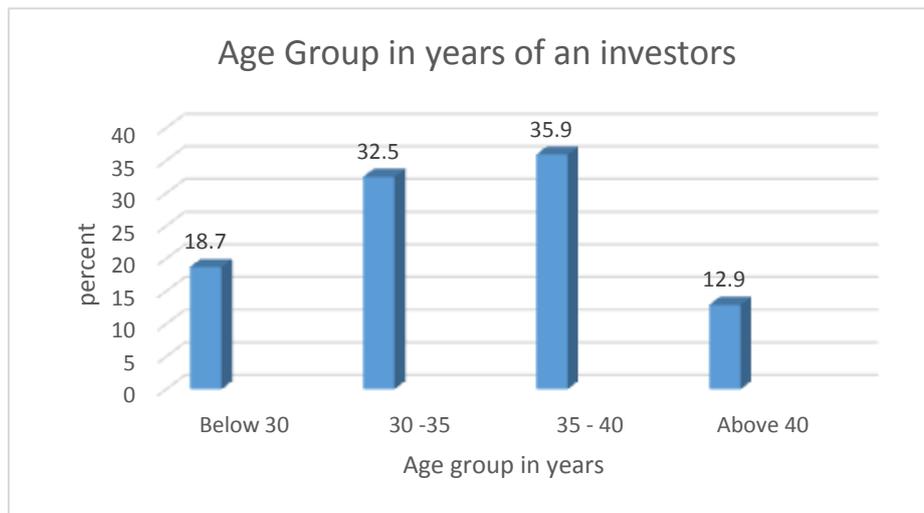


Pie Diagram represents Gender of Investors

From the above table 62.1% are Male investors, 37.9% are female investors in FDI stock market. Maximum number of investors is male gender and minimum number of an investor is female.

Table 2 Frequency Distribution of Age Group in years of an Investors

Age group in years	Frequency	Percent
Below 30	83	18.7
30-35	144	32.5
35-40	159	35.9
Above 40	57	12.9
Total	443	100.0



From the above table, 18.7% of investors are in age of below 30 years, 32.5% of an investors are in age of lies between 30-35 years. 35.9% of investors are in age between 35-40 years. 12.9% of investors are in age of above 40 years. Maximum numbers of investors are in age of 35-40 years. Minimum number of investors is in age of above 40 years.

Table 3 Table and diagram represents Educational Qualification of an Investors

<b>Educational Qualification</b>	<b>Frequency</b>	<b>Percent</b>
UG	79	17.8
PG	199	44.9
Professional	165	37.2
Total	443	100.0

From the above table, 17.8% of investors are having UG qualification. 44.9% of investors are having PG qualification. 37.2% of an investors are having professional qualification maximum number of an investors are having PG qualification minimum number of an investors are having a professional qualification.

Table 4 Frequency Distribution of Occupation of an Investors

<b>Occupation</b>	<b>Frequency</b>	<b>Percent</b>
Business	66	14.9
Private Employee	113	25.5
Government Employee	111	25.1
Professional	120	27.1
Others	33	7.4
Total	443	100.0



Bar Diagram represents Occupation of Investors

From the above table, 14.9% of investors are engaged in business. 25.5% of investors are private employee. 25.1% of an investors are government employee, 27.1% of an investors are professional. 7.4% of investors are other occupations. Maximum number of an investors are professional minimum number of an investors are other occupational.

Table 5 Mean and SD of General outlook of an investors

General outlook	Yes		No		Total
	Count	%	Count	%	Count
Whether an investor at the Indian Stock Market	266	60.05	177	39.95	443
Allowing substantial % of FDI in the Indian stock market would result in decreased revenue generated through domestic concerns listed.	322	72.69	121	27.31	443
100% FDI in sectors can lead to immense losses for Indian concerns	320	72.23	123	27.77	443

FDI has brought Technological satisfaction to the country.	297	67.04	146	32.96	443
FDI will result in increase to the Indian rupee as against U.S dollar.	308	69.53	135	30.47	443
Volatility of the Indian rupee can discourage FDI	365	82.39	78	17.61	443
Foreign investors speculate the Indian markets	336	75.85	107	24.15	443
Indian government policies encourage FDI in stock market.	245	55.30	198	44.70	443
FDI in the Indian stock market has optimum utilization of Indian resources.	293	66.14	150	33.86	443
FDI in the Indian stock market has contrasting effect on the Upper & lower segment of Indian economy.	275	62.08	168	37.92	443

## VII. MAJOR FINDINGS

The survey was conducted among the working class of the city where by the majority sector were the men as compared to the women. The men channel their savings through investments compared to the women who want to play safe and not take risks.

Maximum number of investors being between 35-40 years of age shows that people who are at the prime of their careers invest and stocks and shares and are willing to take that kind of risks reason being one they get a better outlook of industries and current scenarios and to the returns in this field are higher and quicker as compared to the other investment areas.

Minimum number of investors being 40 years of age indicates that the segment is looking for more stable ways of investments with nominal and periodic returns.

Since the maximum number of investors are holding a PG qualification shows that have more knowledge and information on investments as compared to the minimum number of investors holding just a UG degree. Where income generated would not preferably be channelled through stocks and shares investments

The maximum number of investors being professionals (individual) like doctors, CA's etc have an eye for investments in the stock exchanges as their income package is on the higher end they can allot for investments unlike the minimum number of investors are from other occupations like service or of clerical concern have limited income scale so as to allot for investments in the stock market.

Majority of the respondents are investors at the stock market.

Most of the investors feel that increase in FDI would prove a deterrent to the revenue produced by the domestic concerns.

Many investors think that 100% FDI in sectors is not good for domestic concerns.

Majority of investors feel FDI has bought technological satisfaction.

Investors feel through FDI monetary value of India will rise.

Majority feels there will be all round stability (economic political infrastructure etc) with more FDI.

Investors feel foreign entities utilize Indian resources optimally.

Majority investors say that FDI in the stock market would give rise to employment opportunities and also upgrade technology and standard of living.

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**APPENDIX**

**QUESTIONNAIRE**

Section I: (Optional)

(A) Personal Details:

1. Name \_\_\_\_\_

2. Age:    25- 30            30 - 35            35-40            45-50            50-55            55-60            Above 60

3. Educational Qualification:    UG            PG            Professional            Others

4. Occupation:            Private            Public            Government            Businessman            Others

5. Gender:            Male            Female            YES            NO

6. Whether an investor at the Indian Stock Market

7. Allowing substantial %of FDI in the Indian stock market would result in decreased revenue generated through domestic concerns listed.

8. 100% FDI in sectors can lead to immense losses for Indian concerns.

9. FDI has brought Technological satisfaction to the country.

10. FDI will result in increase to the Indian rupee as against U.S dollar.

11. Volatility of the Indian rupee can discourage FDI.

12. Foreign investors speculate the Indian markets.

13. Indian government policies encourage FDI in stock market.

14. FDI in the Indian stock market has optimum utilization of Indian resources.

15. FDI in the Indian stock market has contrasting effect on the Upper & lower segment of Indian economy.