

**Impact of Financial Integration and
Foreign Portfolio Investment on Stock Prices-
Study of Indian Stock Market and Stock Indices**

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ABSTRACT

Financial Markets in Developing countries have become integrated with the rest of the world. Portfolio investment flows from industrial countries have become increasingly important for developing countries in recent years. The Indian situation has been no different. A significant part of these portfolio flows to India comes in the form of Foreign Institutional Investors' (FIIs') investments, mostly in equities.

This paper seeks to examine the degree of integration of Indian stock market with the rest of the world. First, the impact of foreign portfolio investment on stock price movements has been analyzed. Second, an attempt has been made to analyze whether the local index numbers showing the fluctuations of stock prices have moved in tandem with the major stock indices in the world.