IMPACT OF FDI IN CAPITAL MARKET

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ABSTRACT

Foreign direct Investment plays a very vital role in the economic development of both developing as well as developed nations. Large number of the countries are integrated and pursuing their international operations due to foreign direct investment. Fast growing economies like China, Korea and Singapore etc have registered incredible growth at the onset of FDI. As we know that FDI provides an access to the foreign capital but at the same time FDI also helps to provide the most modernize technology available, various tools of innovations and other complementary skills. Now the government plays a very vital role in drafting and executing various policies regarding the inflow of FDI. The FDI policies framed on the part of the government will act as a stimulus so that various foreign countries may be attracted to ensure their investment in India. 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. Capital is considered as a nerve of any economy. In case of developing country like India Domestic capital is not sufficient to fulfill the requirement of economy. In that case foreign capital plays a very important role. Foreign Capital comes in two forms- FDI and FII. FDI is considered as a more stable form of foreign capital as compared to FII. Because along with capital FDI also brings technological up gradation, management skills etc. we can say that Foreign Direct Investment (FDI) gives a kick start to the economy of India which in turns affects the Indian stock market in a positive way.