

PROJECT REPORT ON
A STUDY ON IMPACT OF EXCHANGE RATE FLUCTUATION ON FOREIGN
INSTITUTIONAL INVESTORS

Submitted by

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Submitted to



VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI

In partial fulfilment of the requirements for the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

Under the guidance of

Dr. Vishnu Prasanna K N

Professor

PG Department of Business Administration



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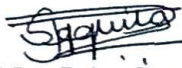
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CERTIFICATE

This is to certify that **NIHARIKA D SHETTY** bearing USN **4AL21BA053** is a bonafide student of Master of Business Administration course of the Institute in 2021-23, affiliated to Visvesvaraya Technological University, Belgaum. Project report titled "**A STUDY ON IMPACT OF EXCHANGE RATE FLUCTUATION ON FOREIGN INSTITUTIONAL INVESTORS**" is prepared by her under the guidance of **Dr. Vishnu Prasanna K N, Professor**, PG Department of Business Administration in partial fulfillment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belgaum Karnataka.



Signature of Internal Guide



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DECLARATION

I, Niharika D Shetty, hereby declare that the Project report entitled “**A STUDY ON IMPACT OF EXCHANGE RATE FLUCTUATION ON FOREIGN INSTITUTIONAL INVESTORS**” is prepared by me under the guidance of Dr. Vishnu Prasanna K N, Professor, PG Department of Business Administration, Alva’s Institute of Engineering and Technology.

I also declare that this Project work is towards the partial fulfilment of the university Regulations for the award of the degree of Master of Business Administration by Visvesvaraya Technological University, Belgaum.

I have undergone a summer project for a period of six weeks. I further declare that this Project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University / Institution.

Place: Mijar


Signature of the Student

Date: 06/09/2023

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I intend to take this opportunity to convey my gratitude to all those who have helped me throughout this project. It gives me immense pleasure to acknowledge all those who have rendered encouragement and support for the successful completion of this work.

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EXECUTIVE SUMMARY

A sizable portion of the population still lacks simple access to capital markets for profitable investments, the concern is divisive. For rising economies like India, FII has emerged as a significant source of capital. Through FII's investment in the nation, these investors have made a significant contribution to the expansion and prosperity of the Indian capital market. The economy can suffer greatly from an overreliance on FIIs since they frequently act irrationally. Additionally, the FII flows have a negative side. FIIs often invest in the best-run businesses, which generates purchasing pressure that drove the indexes higher, almost like how the price of a good would rise owing to increased demand. Due to the heavy manipulation that follows, this has a cascading effect on even undeserving stocks among others, allowing the promoters and operators to avoid detection. Small investors who are looking for cheap deals as a result are induced into such stocks. FII have been allowed to invest in debt, equity, and derivative products with some restrictions on foreign ownership and maximum investment limitations per investor. As FII influence the real economy of India through exchange rates and numerous other factors. It is necessary to research how FII (both equity and debt) affect changes in the foreign exchange rate (rupee to US dollar).

Current research focuses on the impact of exchange rate fluctuation on the FII in India. This research is conducted for the duration of 10 years from 2013 to 2022. The FII investment includes investment in equity and debt. The data is gathered on the basis of month which includes gross purchase, gross sales and net investment in equity and debt. The fluctuation of currency is observed in Indian rupee per dollar. The study reveals that there exists a unidirectional causality from FII debt investment to exchange rate. The study's findings indicate that FII debt investment have substantial causal effect on the exchange rate.