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Necessity of Domestic Institutional Investors (DIIS) In Indian Stock Market

ChitraRajnikantSheth*,Dr.JayeshPoojara#
** Research scholar, Shri. D. N. Institute Of P. G. Studies In Commerce, Anand*
 # Research Guide, Shri. D. N. Institute Of P. G. Studies In Commerce, Anand
Corresponding Author: Dr.JayeshPoojara

Abstract:*Stock market is an organized market for the purchase and sale of industrial and financial security. It arranges a convenient and secured mechanism for transaction in different securities. Indian stock market used to see investments from two types of Institutional Investors. First one is Domestic Institutional Investors (DIIs) and other is Foreign Institutional Investments (FIIs).DIIs are those Institutional Investors which undertake investment in securities and other financial assets of the country they based on. DII is a term which refers to Indian mutual fund companies, banks and Insurance companies etc. For FIIs, there have been so many studies conducted but not as single study on the role of DII. This paper tries to examine the necessity of DII in Indian Stock Market.*

Keywords: *DIIs, Stock Market*
Acronyms: *DII:Domestic Institutional Investors, FII:Foreign Institutional Investments, LOU: Letter of Under taking, LTCG: Long Term Capital Gain, IT: Income Tax,LOC: Letter Of Comfort.*

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I. Introduction:

India is a developing country. If we see developed countries like Japan, USA, Russia, Germany, France, etc. than we shall find that there is two sides of developments:first Agricultural development andsecond Industrial development. When both sides will be develop than country can be developed.

Our Government is taking steps to develop these two side, For agriculture side it provides facilities to farmers like seeds, fertilizer, pesticides, insurance of crops, minimum price, new method forcultivation, etc. Government gives all these at concessional rate.Moreover, P.M. announces to make the income of farmersdouble in near future and for that necessary actions are started to be taken.

But, we didn't get that much success in this sector due to factors like, increasing population, natural calamities, greedy attitude of people i.e. they sale their agricultural land for housing development, etc. Government declares subsidized rated but at requisite time they could not put it in action, which results in disappointment amongst farmer as they have to sell products to traders at lowest price or they have to destroy their products i.e. tomatoes & onions. There is also lack of&/or insufficiency of storage facilities like godown where they can store the products.

Now our other side of development is Industrial develop. For this, we need money, capital. Here capital market is that who provide capital to industries. ICICI,IDBI etc… provides capital to develop industries. Besides these FIIS & DIIS are grant sources for the development of industries.

Objectives of Research / Research Paper:

- To analyses the trend of DIIs from 2005 to 2017
- To study the various factors which influences the decision with respect to DII

II. Review of Literature:

1. **SabaAbid, NeelamJhawar(2017), "Impact of Foreign Institutional Investors(FIIs) on Indian capital Market"**

This study focused to find out whether there exists any significant relation between the Indian Stock Market and FII. Their analysis was focused on the contribution of FIIs in Indian Capital Market; percentage share of FIIs in total foreign investment definitely poses a proof of huge amount contribution by them. The paper concludes that FIIs affect the Indian Stock Market and thus the Indian economy.

2. Aswini A. and Mayank Kumar(2014)," Impact of FII on Stock Market in India"

This study was done to validate the null hypothesis that FII being made in India affects the stock market condition and Indian company as well. The stock market data a descriptive study was done to validate the null hypothesis of association between FII and stock market. The association between these two was checked on yearly, monthly and weekly basis and the data for same were collected for ten years from 2003 to 2013. This study used chi-square as a statistical tool to validate the null hypothesis of association between stock market value and FII. It also used correlation to find the extent of association between these two variables. The objective of this study was out the significant relation between the FII and the Indian stock market.

Based on the findings it could be concluded that there was a high correlation between FII flows and the raise in the index of Indian stock market in a longer span but there was a very less impact in the short span as the correlation between FII flows and the corresponding raise in the index of Indian stock market was very poor. Based on the chi-square lest performed with the assumption of 5% significant level where the null hypothesis was assumed as –"There is relation between FII and the stock index of Indian market" and it was found that null hypothesis was validated. Thus it was found that FII had a significant impact on Indian stock market.

3. Dr. M. Venkata S. Reddy and MahammedSaleem (2013), "Impact of FIIs on Indian Stock Markets"

This study attempted to develop an understanding of the dynamics of the trading behavior and the factors influencing. FIIs and returns in the Indian equity market by analyzing daily and monthly data. In this study researchers tried to find out the impact of FIIs on Indian Stock Market. The important result of this study was that the foreign investment was determined by stock market return. But foreign investment was not a major factor for the stock market boom in India the FIIs were increasingly dominant in the stock market. The domestic investors and domestics companies remained not so dominant. There was therefore the fear of sudden outflows of the foreign capital and this might be a third stock market seam as most regulatory charges were being made only as a follow up of an adverse event.

Research Methodology:

Need of Study:

The Indian Stock Market is highly probable and DII has an important role in the upward and the downward movement of the stock market. This study tries to examine the necessity of DII in Indian stock Market.

Period of the Study:

The present study covers the span of twelve years from 2005 to 2017. This period is long enough to desire meaning full conclusion.

Data Collection:

Collection of data is essential part of the whole work. Not only data collection is sufficient but to analyze, interpret and present them in meaning full way is also important. In this study mainlysecondary data is collected. Secondary data has been obtained from magazine.Trend Analysis has been used for this study.

Data Analysis & Interpretation

Here we shall see the support of DIIs (Domestic Institutional Investors)for industries.

From the above table we can see that during the year 2005-2017 DIIs invests in stocks but due to inconvenient circumstances like recession or political changes or impose of Security Transaction Tax (STT) on shares, changes in import export policies, price fluctuations in metal market, etc; they sold during the year 2009, 10, 12 and 13. But from the last three years DIIs support is good because most of the factors were favourable to industries.More production, more profit, more return and increasing price of shares attract the DIIs to invest in the market. It shows that is government would have given attention towards the favourable factors; the DIIs would have increased in the year 2009, 2010, 2012, 2013.

Table: DIIs Investment in Share during 2005 to 2017

Crores	Year	Crores	Percentage
	2005	13,267	100%
	2006	15,225	114.76
	2007	6,195	46.70
	2008	13,992	105.47
5,313	2009		(40.05)
27,876	2010		(210.12)
	2011	6,653	50.15
20,593	2012		(155.22)
21,188	2013		(159.71)
	2014	23,326	175.82
	2015	71,254	537.08
	2016	47,818	360.43
	2017	1,17,044	882.22

The above table indicate that DIIs support to industries up to 2013 was very normal just say enough but from 2014 they gave good support to capital market by investing their money. This things happened because most of factors were favorable to industries like more production, goods price, more profit, hike in share price, bonus issues, handsome dividend, no L.T.C.G (Long Term Capital Gain) decline rate of interest export policy etc.

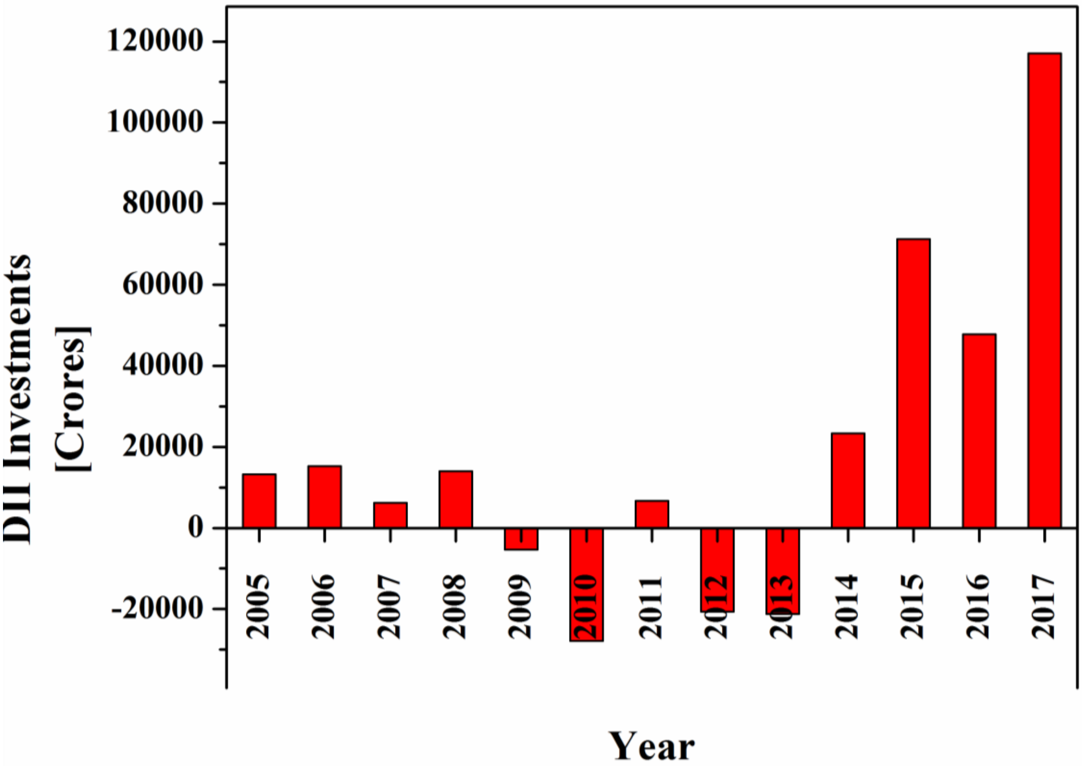

Figure: Graphical presentation of DIIs Investment in Share during 2005 to 2017

Findings

The researcher can finally say that by comparing year 2005 with 2017, there has been an increasing trend in the investment of DII. Hence it can be stated that one of important factor which influenced significantly DII is the demonetization, a step taken by Government of India on 8th November 2016.

Suggestions

Now if we wish to stable our capital market, Finance Minister must seize LTGT or reduce to 5%from 10%. Strict laws for loan & advances must be kept in action.50/25% bad debt Liabilities should be covered by the manager & officers who sanctions such loan & advance and LOU (Latter of Undertaking) or LOC (Later of Comfort).Until people will not become honest, country could not bedeveloped. The People of the country need to become rational while making their investment decisions with respect to DIIs.

Limitation of the study

There is no activity that can be completed without any limitation. The main limitations faced during the preparation of this study are as follow:

- The study solely depends upon the secondary data obtained from magazine.
- The present study is based on the analysis of the 12 years data which may not be sufficient in some cases.
- It touches only the financial aspects.

III. Conclusion

In 2015 our P.M. Mr.NarendraModi had said “Dividends and long term capital gains on shares traded in stock exchanges are totally exempted from Income tax even though it is not the poor who earn them. It was the time for every investor to start looking at valuations of the companies that they are holding in their portfolios. We should believe that the markets will in a multi-year bull run. One should not panic when the market reacts, but should use it as an opportunity to buy more and assist the industries in recession time. If corporate earnings surprise positively, then markets mill cheer and extend.

But the tragedy of our country is started from the first quarter of 2018, Vijay Malya, NiravModi, Kothari and other 31 persons of industries made fraud of 21,000Lack crore with most of Public Sector

Unitbanks which spited the spirit of investors like DIIs & FIIs. Moreover our Finance Minister Mr.ArunJaitely declared 10% Long Term Capital Gain in budget and the sentiment of market disturbed.Investors sold their shares. DIIs sold their shares of ₹64,403.55 & FIIS of ₹1,20,500.67 during February 2018. They divert their money towards Brasil and Gabon where they get suitable conditions of earning i.e. 100% exemption in Income Tax, Long term capital gain etc.

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