Inspira-Journal of Commerce, Economics & Computer Science (JCECS)
(A National bi-lingual Quarterly Double Blind Open Access Peer Reviewed Refereed Journal)
ISSN : 2395-7069(Print), Impact Factor: (Cosmos 7.650 & I2OR 5.120), Volume 12, No. 03, July-September, 2026, pp. 43-49

Foreign Portfolio Investment Trends in India: A Study of Equity and Debt Segment

Smt. Mamta Singh*

Research Scholar, Shri Khushal Das University, Hanumangarh.

*Corresponding Author: singh.mamta1@gmail.com

***Citation**: Singh, M. (2026). Foreign Portfolio Investment Trends in India: A Study of Equity and Debt Segment. Journal of Commerce, Economics & Computer Science, 12(03), 43–49. https://doi.org/10.62823/jcecs/12.03.9239*

Abstract

This study examines the trends and behavior of Foreign Portfolio Investment (FPI) in India's equity and debt markets during the period from 2015 to 2025. Foreign portfolio investment serves as an important source of capital for emerging economies and plays a significant role in influencing market liquidity, investment activity, and overall financial market performance. The research focuses on understanding the factors that drive FPI movements and evaluating their implications for India's financial system. The study investigates the influence of both domestic and international macroeconomic conditions on foreign investment decisions. During the selected period, global financial markets experienced considerable uncertainty due to various economic and political developments. Events such as the COVID-19 pandemic, geopolitical conflicts, changing investor sentiment, and shifts in monetary policies by major central banks had a substantial impact on the direction and volume of portfolio investments. These factors contributed to significant variations in FPI inflows and outflows across India's capital markets. The research analyzes the relationship between FPI trends and key economic indicators, including interest rates, exchange rate fluctuations, and market capitalization. The findings reveal that foreign investment flows are highly responsive to changes in economic conditions and market expectations. The study also identifies important patterns in investment behavior and highlights the sensitivity of portfolio capital to both global and domestic developments. Overall, the research provides valuable insights into the dynamics of FPI and its role in shaping the performance and stability of India's financial markets.

***Keywords**: Foreign Portfolio Investment (FPI), Equity Segment, Debt Market, Capital Market, COVID-19, Investment Inflows, Investment Outflows, Macroeconomic Factors.*

Introduction

Foreign Portfolio Investment (FPI) refers to investments made by non-resident investors in a country's financial assets, such as equity shares and debt instruments, without acquiring managerial control or significant ownership in the enterprises in which they invest. Unlike direct investments, FPI provides investors with the flexibility to enter and exit financial markets with relative ease, making it a highly liquid form of cross-border capital flow. As an important component of international investment, FPI contributes significantly to capital market development, enhances market liquidity, and supports economic growth. It is also recorded in a country's Balance of Payments and represents a major source of foreign capital. Common forms of FPI include investments in stocks, government and corporate bonds, mutual funds, exchange-traded funds (ETFs), and depository receipts.

Over the past few decades, emerging economies have attracted increasing levels of foreign portfolio investment due to their growth potential, expanding financial markets, and opportunities for higher returns. As global investors seek portfolio diversification, they increasingly allocate funds across various asset classes and geographic regions. This trend has strengthened the role of emerging markets in the global financial system and increased the importance of understanding investment flow dynamics.

India's economic reforms initiated in 1991 marked a turning point in the country's approach to foreign investment. The liberalization policies opened the economy to international capital, promoted market-oriented reforms, and encouraged foreign participation in domestic financial markets. The introduction of FPI in the early 1990s facilitated greater capital inflows, improved market efficiency, and enhanced integration with global financial markets.

However, FPI flows are often sensitive to changes in domestic and international economic conditions. Factors such as interest rates, exchange rate movements, market capitalization, inflation, and global financial uncertainty can significantly influence investment decisions. Therefore, this study examines FPI trends in India's equity and debt markets from 2019 to 2024, with the objective of identifying major determinants, analyzing investment patterns, and evaluating their relationship with key macroeconomic indicators through statistical analysis.

Literature Review

This study investigates the determinants of foreign portfolio investment (FPI) flows into India during the period 2015–2025, with particular emphasis on macroeconomic variables. Several studies have examined the relationship between FII investment flows and stock market performance, market volatility, liquidity, and economic growth. The following review presents important research findings related to the impact of FIIs on the Indian capital market,

Chand, T (2025)[1] the study concludes that FIIs play a pivotal role in shaping market trends, liquidity, and short-term fluctuations in the Nifty-50, underscoring the importance of monitoring foreign investment flows for market stability and policy planning.

Kumar, M. (2024)[2]conducted study **"**Impact of FIIs on Indian Stock Market: Analysis of Capital Flows" and examined 180 months of data (15 years) on FII capital flows and NIFTY-50 monthly returnsto understand the impact of foreign institutional investment on the Indian equity market. the findings highlight the influential role of FIIs in shaping market trends and investor sentiment in India, particularly over long-term horizons. The results provide valuable insights for policymakers, investors, and institutional participants about how FIIbehavior and profitability are conditioned by varying levels of economic uncertainty in emerging markets.

Khan, M. Z., & Masood, R. Z. (2022)[3] In their study *"Impact of FDI and FII on Indian Economy"* explore how Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII)have influenced the Indian economy from 1990 to 2021. The study concludes that although both types of foreign investment are vital, FDI serves as the primary "engine of growth" for the Indian economy**.**

Bushra, M., Gupta, A., and Gupta, M. K. (2021)[4] conducted a study titled *"Determinants of Foreign Institutional Investors' Investment."* The study examined the factors influencing FII investments in emerging markets like India. The findings revealed that economic growth, inflation, interest rates, exchange rate stability, market performance, and regulatory transparency play an important role in attracting FII inflows. The study concluded that stable economic and political conditions encourage foreign investment, while uncertainty and volatility discourage investor participation.

Akhtar, A., & Saleem, M. A. S. (2020)[5] The study "*A study on impact of foreign institutional investment in Indian markets"* analyzes the impact of Foreign Institutional Investment (FII) on the Indian stock market and highlights its significant role in influencing market behavior. The findings reveal that FII inflows contribute positively to market liquidity and are closely associated with rising stock prices, indicating their importance in driving market growth.

Verougstraete, M., and Aras, A. (2019)[6]The study examined the role of capital markets and institutional investors in financing infrastructure projects. The findings showed that institutional investors can provide long-term funds for infrastructure development, while strong capital markets, transparent regulations, and supportive policies help attract investment. The study concluded that improving investment conditions and reducing risks are important for promoting sustainable infrastructure financing.

Chattopadhyay, M., Garg, A. K., and Mitra, S. K. (2018)[7] The study examined herding behaviour among FIIs in the Indian stock market. The findings revealed that FIIs often follow the investment decisions of other investors, especially during periods of market uncertainty and volatility. The study concluded that such herding behaviour influences market movements, increases short-term volatility, and affects the efficiency of stock price formation.

Mukherjee, P., & Roy, M. (2016)[8] The study investigates the key determinants of stock market returns in India using a dynamic factor model to capture the combined influence of multiple economic and financial variables.

Srinivasan, P., & Kalaivani, M. (2015)[9]The study analyzes the major factors influencing Foreign Institutional Investment (FII) inflows into India and finds that macroeconomic and financial variables play a significant role in shaping investor decisions.

Kasthuri K, M. Nirmala(2019)[10]Sector-specific evidence on FPI inflows reveals positive short-run associations with the Index of Industrial Production (IIP), foreign direct investment (FDI), and market capitalization (MC). In contrast, negative relationships are observed with the US dollar exchange rate (DEXR) and the real effective exchange rate (REER). Applying the Panel Autoregressive Distributed Lag (ARDL) framework, researchers have found that, over the long term, FPI inflows are negatively related to interest rate differentials (IRD), market capitalization, and the US dollar exchange rate, while exhibiting positive associations with international liquidity (IL) and REER. Furthermore, higher interest rate differentials generally encourage FPI inflows across most sectors, although new-economy industries appear comparatively less responsive to such changes. These findings underscore the importance of maintaining macroeconomic stability and implementing investor-friendly policies to sustain foreign portfolio investment and ensure consistent capital inflows.

The above findings indicate that reduced exchange rate volatility and enhanced opportunities for portfolio diversification contribute positively to FPI inflows. Conversely, attractive equity returns in competing emerging economies tend to divert portfolio investments away from India. In addition, conventional macroeconomic indicators, including domestic stock market performance, exchange rate fluctuations, interest rate differentials, and economic growth, significantly influence FPI movements. These factors collectively affect stock market dynamics, exchange rate stability, and yield differentials across emerging markets, thereby shaping international investment decisions.

Existing literature consistently demonstrates that FPI inflows are generally more volatile than foreign direct investment (FDI). Unlike FDI, which is associated with long-term commitments, technological transfer, and sustained economic benefits, portfolio investments are highly responsive to short-term market conditions, external economic disturbances, and changes in monetary policy. Studies emphasize that overcoming structural constraints, such as policy inconsistencies and infrastructure deficiencies, is crucial for fostering a stable investment climate. This is particularly important for rapidly expanding sectors such as e-commerce and logistics, where sustained foreign participation can support long-term growth.

International trade developments and domestic policy initiatives also play a significant role in determining FPI inflows. Government-led measures, including the “Invest in India” program, have facilitated foreign investment by liberalizing regulations across sectors such as telecommunications, finance, defence, and manufacturing. Research suggests that the presence of multinational enterprises (MNEs) has enhanced productivity, generated employment opportunities, and strengthened India’s competitive position in the global economy. Nevertheless, despite the positive impact of policy reforms on foreign investment growth, concerns remain regarding the potential effects of foreign capital dependence and increased market volatility arising from external economic influences.

Research Methodology

This research is based on secondary data collected from reliable sources, namely the **National Securities Depository Limited (NSDL)**. The study uses monthly data covering the period from the financial year **2015 to 2025**. The collected data have been analyzed to understand the movement and pattern of Foreign Portfolio Investment (FPI) in India’s capital market. Particular attention has been given to identifying long-term trends and determining whether investment flows exhibited a rising or declining pattern during the study period.

- **Foreign Portfolio Investment Patterns in Equity and Debt Segments**

Foreign Portfolio Investment (FPI) in India is concentrated in both equity and debt markets. Equity investments generally attract foreign investors seeking higher returns and capital appreciation, making them more sensitive to economic growth, corporate performance, and market sentiment. As a result, equity flows often experience greater fluctuations.

In contrast, debt investments are preferred by investors looking for stable returns and lower risk. These investments are mainly influenced by interest rates, inflation levels, and monetary policy conditions. Compared to equity flows, debt flows tend to be relatively more stable.

- **FPI in Equity Segment**

Table 1 summarizes the inflow and outflow of foreign portfolio investments in the Indian equity segment across the period 2015–2025.

Table 1: Inflow and Outflow of Foreign Portfolio Investments in the Indian Equity Segment Across the Period 2015–2025

Month/Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
January	12919	-11127	-1177	13781	-4262	12123	19473	-33303	-28852	-25744	-78027
February	11475	-5522	9902	-11423	17220	1820	25787	-35592	-5294	1539	-34574
March	12076	21142	30906	11654	33981	-61973	10482	-41123	7936	35098	-3973
April	11721	8415	2394	-5552	21193	-6884	-9659	-17144	11631	-8671	4223
May	-5769	2542	7711	-10060	7920	14569	-2954	-39993	43838	-25586	19860
June	-3344	3714	3617	-4831	2596	21832	17215	-50203	47148	26565	14590
July	5321	12611	5161	2264	-12419	7563	-11308	4989	46618	32365	-17741
August	-16878	9071	-12770	1775	-17592	47080	2083	51204	12262	7320	-34993
September	-6477	10444	-11392	-10825	7548	-7783	13154	-7624	-14768	57724	-23885
October	6649	-4306	3055	-28921	12368	19541	-13550	-8	-24548	-94017	14610
November	-7074	-18244	19728	5981	25231	60358	-5945	36239	9001	-21612	-3765
December	-2818	-8177	-5883	3143	7338	62016	-19026	11119	66135	15446	-22611
Total	17801	20563	51252	-33014	101122	170262	25752	-121439	171107	427	-166286

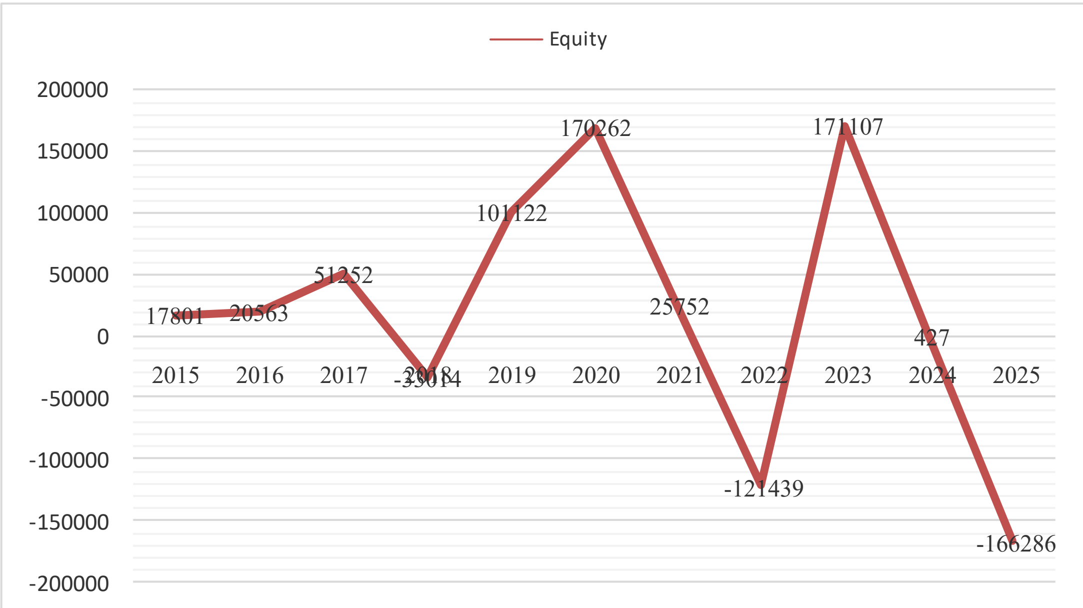

Fig. 1: Inflow and Outflow of FPI in the Indian Equity Segment

The trend of foreign portfolio investment (FPI) in the equity segment during the period 2015–2025 reveals considerable volatility, reflecting changes in investor confidence, economic conditions, and global financial developments. From 2015 to 2017, equity investments increased steadily from 17,801 to 51,252, indicating growing foreign investor participation and favourable market sentiment. However, in

2018, the equity segment recorded a net outflow of -33,014, suggesting a decline in investor confidence and a withdrawal of foreign capital from the market.

A strong recovery was observed in 2019, when equity inflows rose sharply to 101,122. The onset of the COVID-19 pandemic in early 2020 initially created significant uncertainty in global financial markets. Despite the economic disruptions caused by lockdowns and reduced business activity, the equity segment recorded substantial inflows of 170,262 in 2020. This increase can be attributed to the unprecedented monetary and fiscal stimulus measures implemented worldwide, low interest rates, abundant global liquidity, and investors' expectations of economic recovery. Consequently, foreign investors increased their exposure to equity markets, resulting in one of the highest inflow levels during the study period.

In the post-pandemic phase, equity inflows declined significantly to 25,752 in 2021 as investors adopted a more cautious approach amid concerns regarding new COVID-19 variants, inflationary pressures, and uneven economic recovery. The situation worsened in 2022 when the equity segment registered a substantial outflow of -121,439. This decline was influenced by global economic uncertainties, rising interest rates, inflation concerns, and geopolitical tensions, which prompted foreign investors to reduce their exposure to emerging markets.

A remarkable turnaround occurred in 2023, when equity inflows surged to 171,107, the highest value recorded during the study period. This recovery indicates renewed confidence among foreign investors, supported by improving economic conditions and stronger market performance following the pandemic period. However, the momentum weakened considerably in 2024, with net inflows falling to only 427, suggesting a phase of investor caution and uncertainty. In 2025, the equity segment experienced its largest outflow of -166,286, indicating a significant withdrawal of foreign capital and highlighting the continued sensitivity of portfolio investments to changing economic and financial conditions.

- **FPI in Debt Segment**

Table 2 presents FPI inflows and outflows in India's debt market from 2015 to 2025. Figure 2 visually depicts these data, making it easier to observe the overall trends and variations during the period.

Table 2 : FPI Inflows and Outflows in India's Debt Segment from 2015 to 2025

Month/Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
January	20768	2313	-2319	8523	-1301	-11648	-2518	5194	3531	19837	-3424
February	13089	-8194	5960	-254	-6037	2097	-6488	-3073	2436	22419	-5508
March	8649	-1477	25355	-9044	12002	-60376	-6492	-5632	-2505	13602	-5508
April	3610	6418	20364	-10036	-5099	-12552	-118	-4439	806	-10949	-13314
May	-8503	-4409	19155	-19654	1187	-22935	-1706	-5506	3276	8761	19615
June	1737	-6221	25685	-10970	8319	-1545	-4829	-1414	9178	14955	-6121
July	2	6847	18867	43	9433	-2476	-782	-2056	3726	22363	-234
August	-646	-2626	15447	3414	11672	-3310	12144	3845	7733	17960	6766
September	690	9789	1349	-10198	-990	3958	12804	4012	938	1299	1085
October	15703	-6000	16064	-9978	3670	1641	-1558	-3532	6382	-4406	3507
November	-3754	-21151	531	5610	-2358	-1806	983	-1637	14860	1217	-3969
December	-5489	-18933	2350	4749	-4616	4079	-11799	-1673	18302	3755	717
Total	45856	-43644	148808	-47795	25882	-104873	-10359	-15911	68663	110813	8831

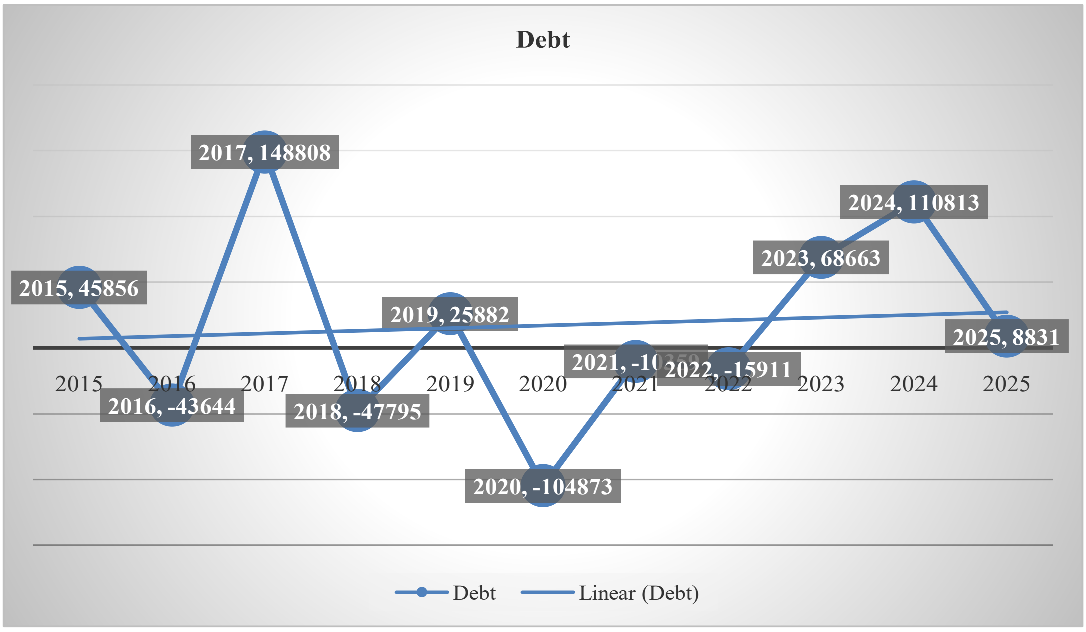

Fig. 2: Inflow and Outflow of FPI in the Indian Debt Segment

The trend of foreign portfolio investment (FPI) in the debt segment during the period 2015–2025 demonstrates considerable fluctuations, reflecting the sensitivity of debt investments to changes in interest rates, economic conditions, and global financial sentiment. In 2015, the debt segment recorded a net inflow of 45,856, indicating positive foreign investor participation in debt securities. However, this was followed by a substantial outflow of -43,644 in 2016, suggesting a shift in investor preferences and increased uncertainty in financial markets. The debt segment recovered strongly in 2017, reaching its highest inflow of the pre-pandemic period at 148,808. This significant increase indicates favourable market conditions and strong foreign demand for debt instruments.

The positive momentum was short-lived, as the debt segment registered a net outflow of -47,795 in 2018. A moderate recovery occurred in 2019, with inflows rising to 25,882. The onset of the COVID-19 pandemic in 2020 had a pronounced impact on debt investments, resulting in the largest outflow of the entire study period at -104,873. The pandemic generated widespread uncertainty in global financial markets, prompting foreign investors to withdraw funds from emerging-market debt instruments and move toward safer assets. This sharp decline highlights the vulnerability of debt investments during periods of economic and financial instability.

Following the severe outflow in 2020, the debt segment showed signs of stabilization during the post-pandemic period. In 2021, the net outflow was negligible at approximately -1, indicating a temporary balance between inflows and outflows as markets adjusted to the evolving economic environment. In 2022, the segment recorded a modest inflow of 15,911, reflecting gradual recovery and improving investor confidence. The recovery gained momentum in 2023, when debt inflows increased substantially to 68,663, suggesting renewed foreign interest in fixed-income securities. This positive trend continued into 2024, with inflows reaching 110,813, the second-highest value in the dataset. The increase may be associated with improving macroeconomic conditions, attractive bond yields, and greater confidence in the stability of financial markets.

However, in 2025, debt inflows declined sharply to 8,831, indicating a slowdown in foreign investment activity despite remaining in positive territory. This decline may reflect changing global monetary conditions, adjustments in interest rate expectations, or a reallocation of foreign capital toward other investment opportunities.

Overall, the analysis reveals that foreign portfolio investment in the debt segment experienced significant volatility during the study period, characterized by alternating phases of inflows and outflows. The COVID-19 pandemic had a particularly severe impact on debt investments, leading to the largest capital withdrawal in 2020. Nevertheless, the subsequent recovery observed from 2021 to 2024 demonstrates the resilience of the debt market and the gradual restoration of foreign investor confidence. Despite the positive long-term trend indicated by the upward-sloping trend line, the fluctuations in annual flows suggest that foreign investment in debt securities remains highly sensitive to both domestic economic fundamentals and global financial developments.

Conclusion

The analysis of Foreign Portfolio Investment (FPI) in the equity and debt segments from 2015 to 2025 reveals significant fluctuations in foreign investment flows. The equity segment showed higher volatility, with periods of strong inflows and substantial outflows, reflecting changes in investor confidence and market conditions. In contrast, the debt segment exhibited relatively stable movements but remained sensitive to interest rate changes and global financial developments.

The COVID-19 pandemic significantly influenced FPI trends. While the debt segment experienced a major outflow in 2020 due to heightened uncertainty, the equity segment attracted strong inflows supported by liquidity measures and expectations of economic recovery. In the post-pandemic period, both segments demonstrated signs of recovery, although fluctuations continued.

Overall, the study indicates that foreign portfolio investments are highly responsive to economic conditions, policy changes, and global market trends. Therefore, maintaining macroeconomic stability, strengthening financial markets, and ensuring a favourable investment environment are essential for attracting sustained foreign investment in both equity and debt segments.

References

1. Chand, T (2025). *Impact of FIIs on Indian stock market with special reference to NSE Nifty-50 index*. Asian Journal of Management and Commerce, 6(2), 1048–1053.
2. Kumar, M. (2024). *Impact of FIIs on Indian stock market: Analysis of capital flows*. Journal of Emerging Technologies and Innovative Research (JETIR), 11(3), 145–152.
3. Khan, M. Z., & Masood, R. Z. (2022). *Impact of FDI and FII on Indian economy. Amity Journal of Management, 10*(1), 40–42. https://www.amity.edu/gwalior/ajm/pdf/impact-paper05.pdf
4. Bushra, M., Gupta, A., & Gupta, M. K. (2021). *Determinants of foreign institutional investors' investment. International Journal of Management, IT and Engineering, 11(5), 1–10.*
5. Akhtar, A., & Saleem, M. A. S. (2020). *A study on impact of foreign institutional investment in Indian markets*. Excel Journal of Engineering Technology and Management Science, 1(17), 2277- 3339.
6. Verougstraete, M., & Aras, A. (2019). Tapping capital markets and institutional investors for infrastructure development. *Asian-Pacific Sustainable Dev. J*, *26*(1), 113-144.
7. Chattopadhyay, M., Garg, A. K., & Mitra, S. K. (2018). Herding by foreign institutional investors: An evidential exploration for persistence and predictability. *Journal of Behavioral Finance*, *19*(1), 73-88.
8. Mukherjee, P., & Roy, M. (2016). What drives the stock market return in India? An exploration with dynamic factor model. *Journal of Emerging Market Finance*, *15*(1), 119-145.
9. Srinivasan, P., & Kalaivani, M. (2015). *Determinants of foreign institutional investment in India: An empirical analysis*. International Journal of Applied Business and Economic Research, 13(2), 1121–1136.
10. Kasthuri K, M. Nirmala, “Foreign Portfolio Investment And Macroeconomic Factors In India,” International Journal of Innovative Technology and Exploring Engineering, vol. 8, issue 12, pp. 2056-2058, 2019, doi: 10.35940/ijitee.L3259.1081219
11. “FPI Net Investment Details (Calendar Year),” NSDL FPI Monitor. https://www.fpi.nsdl.co.in/Reports/Yearwise.aspx?RptType=6.

❑❑❑