Participatory Notes & Indian Economy

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Abstract
In order to effectively cope with the significant competitive issues of increasingly sophisticated market, matching international requirements in terms of investments from Foreign Portfolio Investors has become one of the most debated topics in Indian financial market. As participatory notes constitute approximately 50% of all foreign portfolio assets, it is worth taking for further research. Despite having a vast research on money inflow through foreign sources, little is known about the participatory notes and its relationship with Indian economy. This study has segregated the participatory notes into two groups i.e. PNs including derivatives and PNs excluding derivatives. This comprehensive study discusses the volatility of Indian financial market and Indian economy in terms of the inflow of offshore derivatives to India. The purpose of this paper is to predict the stability of Indian economy in a long run as far as the foreign investment is concerned. By using bivariate correlation and step wise regression we tried to establish the relationship between participatory notes and Indian macro-economic factors. The study leads to the conclusion that participatory notes and the economic factors in India are inversely related whereas the financial market in India shows a strong relationship towards the participatory notes.

Key Words: foreign portfolio investors, participatory notes, macro-economic factors, derivatives
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