**Abstract**

Outward foreign direct investment in the service sector has shown a tremendous improvement in terms of magnitude over the years. This paper examines the impact of stock market indices, such as, SENSEX and Nifty on the outward foreign direct investments in the financial, business and insurance services in India. The monthly data for the study has been collected for a period of five years from 2013-2018 from RBI database and other secondary sources. ADF test, Johansen’s co-integration test and VECM have been employed to analyse the data. The findings of the study have indicated that the existence of a long run relationship between the variables proves that the development of the domestic stock market would helps to increase OFDI in the financial, business and insurance services in the long run.