**Abstract**

International financial management has been gaining significance over the years with the increase in the flow of currencies across borders. The movement in currencies results from import, export and from direct investments made in the form of wholly owned subsidiaries or joint ventures. The inward and outward foreign investments have an impact on the domestic stock market and it results in its overall economic growth. However a well developed stock market is dependent on several macroeconomic and institutional variables. This paper examines the impact of FDI inflow and outflow on the stock market development in India from 2004 to 2017. Market capitalization has been employed as a proxy variable to measure the stock market development. ADF test, Johansen’s co-integration test and VECM have been applied in the study. The results of the study have indicated the existence of long run causality between the variables.