**Abstract**

Foreign direct investment plays an important role in the economic development of both developing as well as developed nations. Due to foreign direct investment, a large number of countries are integrated and pursuing their international operations. Fast growing economies like China, Korea and Singapore etc have registered incredible growth with the functioning of FDI. FDI provides an access to the foreign capital as well as helps to provide the most modernize technology available, various tools of innovations and other complimentary skills. At present, with regard to FDI inflow, the government plays a vital role in drafting and executing various policies. The various foreign countries are attracted to ensure their investment in India with the FDI policies framed on the part of the government which acts as a stimulus. The amount of the inflow of FDI will account to the growth in GDP simultaneously the Indian stock market will also be affected due to the inflow of FDI. This paper will attempt to study the impact of foreign direct investment on the Indian stock market. Various statistical tools will be applied in order to analyze the study. The tools used for the study are Descriptive statistics, ADF, Granger Causality and Johansen Co-integration test. In order to study the impact, BSE Sensex is selected to represent the Indian stock market. Data of 3 years 2016-2018 suggests that amount of FDI has a direct impact on stock market i.e., BSE Sensex. The study concludes that flow of FDI in India determines the trend of Indian Stock Market.