



Global Geopolitical Conflicts and Foreign Institutional Investment in India: A Phenomenological Exploration of Investment Decision-Making During Times of War

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Abstract

This study examines how global geopolitical conflicts shape the investment decision-making of Foreign Institutional Investors (FIIs) in India, exploring their lived experiences, perceptions, and strategic responses during periods of international instability. This qualitative study used Interpretive Phenomenological Analysis (IPA), supplemented by the Gioia methodology, to conduct in-depth semi-structured interviews with 24 FII professionals. Data collected between March–November 2023 were analyzed into a three-tiered structure of 1st-order concepts, 2nd-order themes, and aggregate dimensions. Five superordinate themes emerged: (1) Geopolitical Risk Recalibration; (2) Flight to Safety versus Emerging Market Opportunity; (3) Information Uncertainty and Sensemaking; (4) India's Positioning as a Strategic Alternative; and (5) Temporal Investment Horizon Adjustments. The study is limited to FII perspectives within a specific temporal context (2023). Domestic investor viewpoints are not captured, and future research should employ longitudinal designs. Findings offer actionable guidance for Indian policymakers, market regulators, and investment professionals in navigating FII behavior during geopolitical crises. This study fills a qualitative gap in FII research by providing phenomenological insight into how global conflicts shape investment decisions in emerging markets, offering a novel framework that quantitative approaches cannot capture.

Keywords: Foreign Institutional Investment, Geopolitical conflict, War, India, Investment decision-making, Phenomenology, Qualitative research, Emerging markets, Risk perception

1. INTRODUCTION

1.1 Background and Context

The twenty-first century has witnessed a resurgence of large-scale geopolitical conflicts that have profoundly disrupted global financial markets and investment patterns. The Russia-Ukraine conflict that commenced in February 2022, ongoing tensions in the Middle East including the Israel-Hamas war beginning October 2023, and persistent US-China strategic

competition have collectively created an environment of unprecedented uncertainty for international investors (Caldara & Iacoviello, 2022; Federle et al., 2024). These conflicts have triggered significant volatility in global capital flows, commodity prices, and currency markets, compelling institutional investors to fundamentally reassess their international portfolio allocations.

Foreign Institutional Investors (FIIs) play a pivotal role in the Indian capital market, contributing significantly to market liquidity, price discovery, and overall market development (Mukherjee & Coondoo, 2021). As of 2023, FII holdings in Indian equities exceeded \$600 billion, representing approximately 18-20% of the total market capitalization of listed companies (SEBI, 2023). The behavior of these institutional investors—their entries, exits, and portfolio reallocations—significantly influences market movements and, consequently, the broader Indian economy.

The intersection of global geopolitical conflicts and FII investment behavior presents a complex phenomenon that existing literature has predominantly examined through quantitative methodologies. While econometric studies have documented correlations between conflict events and investment flows, they offer limited understanding of the cognitive processes, interpretive frameworks, and experiential dimensions that underpin investment decisions during periods of international turmoil (Balcilar et al., 2018; Das et al., 2019). This phenomenological gap motivates the present study.

1.2 Research Problem

Despite substantial quantitative research examining FII flows and market volatility during geopolitical events, there remains a significant gap in understanding how and why foreign institutional investors make decisions regarding Indian market investments during global conflicts. Existing studies predominantly employ event-study methodologies and time-series analyses that capture statistical relationships but fail to illuminate the interpretive processes through which investors make sense of geopolitical developments and translate them into investment actions.

The complexity of modern geopolitical conflicts—with their multifaceted economic, political, and humanitarian dimensions—cannot be adequately captured through quantitative proxies alone. Investment decisions during such periods involve subjective interpretations of ambiguous information, emotional responses to uncertainty, organizational constraints, and individual cognitive biases that merit phenomenological exploration (Tuckett & Taffler, 2008).

1.3 Research Objectives

This study aims to:

1. Explore the lived experiences of FII fund managers and investment professionals when making investment decisions regarding India during periods of global geopolitical conflict
2. Understand the interpretive frameworks and sensemaking processes employed by FIIs to assess geopolitical risks and their implications for Indian market investments
3. Identify the factors that influence FII perceptions of India as an investment destination during times of global war and instability
4. Develop a conceptual framework explaining FII decision-making processes during geopolitical conflicts

1.4 Research Questions

The study is guided by the following research questions:

Central Research Question:

How do FIIs navigate investment decision-making in India during global geopolitical conflicts?

Sub-Questions:

5. How do FII fund managers perceive and interpret geopolitical risks?
6. What factors drive FII decisions to invest, hold, or divest in Indian markets during geopolitical instability?
7. How do FIIs assess India's attractiveness as an investment destination amid global geopolitical realignments?
8. What strategies do FIIs use to manage portfolio risk during geopolitical uncertainty?

1.5 Significance of the Study

This research makes several important contributions. Theoretically, it extends the behavioral finance literature by providing phenomenological insights into institutional investor decision-making during crisis periods. Methodologically, it responds to calls for more qualitative research in finance scholarship to complement dominant quantitative approaches (Gippel, 2015). Practically, the findings offer valuable insights for Indian policymakers, market regulators, and investment professionals seeking to understand and respond to FII behavior during geopolitical turbulence.

2. LITERATURE REVIEW

2.1 Foreign Institutional Investment: Conceptual Foundations

Foreign Institutional Investors (FIIs) constitute a diverse category of international investors including mutual funds, pension funds, hedge funds, sovereign wealth funds, insurance companies, and investment banks that invest in securities markets outside their home jurisdictions (Bekaert & Harvey, 2000). In the Indian context, FIIs have been permitted to invest in Indian securities markets since 1992 following economic liberalization reforms, and their participation has grown substantially over subsequent decades (Chakrabarti, 2001).

The literature on FII behavior in emerging markets has identified several determinants of investment flows including macroeconomic fundamentals, market returns, institutional quality, and global risk appetite (Bekaert et al., 2002; Clark & Wojcik, 2007). Studies specific to India have documented relationships between FII flows and market returns, exchange rates, and policy announcements (Mukherjee & Coondoo, 2021; Srinivasan & Kalaivani, 2015).

2.2 Geopolitical Risk and Financial Markets

Geopolitical risk-defined as "the risk associated with wars, terrorist acts, and tensions between states that affect the normal and peaceful course of international relations" (Caldara & Iacoviello, 2022, p. 1194)-has emerged as a significant area of inquiry in finance scholarship. Quantitative studies have documented that geopolitical events trigger increased volatility, risk premiums, and capital flow reversals in global markets (Balcilar et al., 2018; Gkillas et al., 2021). Research specifically examining the impact of geopolitical conflicts on emerging market investments has found heterogeneous effects depending on the nature of conflicts, geographic proximity, and economic linkages (Federle et al., 2024). Studies on the Russia-Ukraine conflict have documented significant disruptions to global investment patterns, with investors reallocating portfolios away from affected regions toward perceived safer alternatives (Boungou & Yatié, 2022).

However, this literature is predominantly quantitative, relying on event studies, volatility models, and capital flow analyses. While valuable for establishing statistical relationships,

these approaches cannot illuminate the experiential and interpretive dimensions of investor behavior—the meanings investors attribute to events, the emotions they experience, and the cognitive processes through which they reach decisions.

2.3 Investment Decision-Making Under Uncertainty

Behavioral finance scholarship has demonstrated that investment decisions deviate systematically from predictions of rational choice theory, particularly under conditions of uncertainty and ambiguity (Kahneman & Tversky, 1979; Shiller, 2015). Institutional investors, despite their professional expertise, are subject to cognitive biases, emotional influences, and social-psychological factors that shape their decisions (Tuckett & Taffler, 2008).

Research on investment decision-making during crises has highlighted phenomena including herding behavior (Bikhchandani & Sharma, 2001), flight to safety (Baur & Lucey, 2009), and varying risk perceptions based on framing effects (Kahneman, 2011). Qualitative studies have explored how fund managers construct narratives to make sense of market events and justify decisions (Tuckett, 2011), but such research remains limited, particularly in emerging market contexts.

2.4 India as an Investment Destination During Global Instability

Recent literature has examined India's evolving position in the global investment landscape during periods of geopolitical realignment. Studies have highlighted factors potentially enhancing India's attractiveness to foreign investors including large domestic market, demographic advantages, improving infrastructure, and policy reforms (Mohan & Kapur, 2015). Additionally, India's relative insulation from direct involvement in major conflicts and its strategic positioning between major power blocs have been noted as potential advantages (Jaishankar, 2020).

However, concerns have also been raised regarding regulatory complexity, policy uncertainty, and market volatility as potential deterrents to FII investment (Khanna & Palepu, 2010). The net effect of global conflicts on India's attractiveness as an investment destination remains contested and under-explored, particularly from qualitative perspectives.

2.5 Research Gap

The foregoing review reveals a significant gap in understanding the experiential and interpretive dimensions of FII investment decision-making during geopolitical conflicts. While quantitative studies have established correlations between conflict events and investment flows, they cannot explain the meanings, perceptions, and cognitive processes underlying these statistical patterns. This study addresses this gap by adopting a phenomenological approach to explore how FII professionals experience and navigate investment decisions regarding India during periods of global war.

2.6 Theoretical Framework

This study draws on interpretive phenomenology (Heidegger, 1962; Smith et al., 2009) as its theoretical foundation, emphasizing the importance of understanding phenomena through the lived experiences of those who encounter them. Additionally, sensemaking theory (Weick, 1995) informs the analysis by providing concepts for understanding how investors interpret ambiguous situations, construct meanings, and enact responses.

The integration of phenomenology with sensemaking theory offers a robust framework for exploring how FII professionals perceive geopolitical events, interpret their implications, and translate interpretations into investment decisions. This approach acknowledges that

investment behavior during crises is not merely a rational calculation but an experiential process embedded in subjective meanings and social contexts.

3. RESEARCH METHODOLOGY

3.1 Research Philosophy

This study is grounded in an interpretivist philosophical stance that acknowledges reality as socially constructed and emphasizes understanding phenomena through the subjective experiences and interpretations of individuals (Creswell & Poth, 2018). Ontologically, the study assumes multiple realities exist as experienced by different investors. Epistemologically, it seeks knowledge through close engagement with participants' perspectives and meanings.

3.2 Research Design: Interpretive Phenomenological Analysis

The study employs Interpretive Phenomenological Analysis (IPA) as its methodological approach. IPA is concerned with exploring how individuals make sense of major life experiences and the meanings they attach to these experiences (Smith et al., 2009). It is particularly suited to research questions concerning identity, significant events, and transitions-making it appropriate for exploring how investment professionals experience and navigate decisions during geopolitical crises.

IPA was selected over other qualitative approaches for several reasons:

Approach	Reason for/against Selection
IPA (Selected)	Focus on lived experience and meaning-making aligns with research objectives
Grounded Theory	Theory generation not primary objective; phenomenon already partially theorized
Narrative Inquiry	Focus on stories less relevant than experiential processes
Ethnography	Cultural description less central than individual experience

Table 1 - qualitative approaches

While IPA is highly valued for uncovering the rich, existential, and experiential depth of the participants' lived realities during wartime , we supplement it with the Gioia methodology to ensure systematic concept development. This combination allows us to capture the micro-level, subjective meaning-making of the 24 fund managers while systematically elevating those experiences into robust, macro-level theoretical constructs.

3.3 Participant Selection

3.3.1 Sampling Strategy

Purposive sampling was employed to identify participants with relevant experience and expertise. Sampling criteria included:

Inclusion Criteria:

- Currently employed in FII-related roles (fund managers, analysts, strategists)
- Minimum 5 years of experience in institutional investment

- Direct involvement in investment decisions regarding Indian markets
- Experience spanning at least one major geopolitical event

Exclusion Criteria:

- Retail/individual investors
- Less than 5 years of experience
- No direct exposure to Indian market investments

3.3.2 Sample Size

IPA studies typically employ small, homogeneous samples to enable deep idiographic analysis (Smith et al., 2009). However, given the complexity of the phenomenon and desire for diverse perspectives, the study aimed for a larger IPA sample. Data collection continued until theoretical sufficiency was achieved.

Final Sample: 24 participants

3.3.3 Participant Profile

ID	Designation	Organization Type	Experience (Years)	Location	Gender
P1	Senior Fund Manager	Global Asset Management	18	Singapore	Male
P2	Portfolio Manager	Hedge Fund	12	Mumbai	Male
P3	Investment Strategist	Investment Bank	15	London	Female
P4	Chief Investment Officer	Pension Fund	22	New York	Male
P5	Equity Analyst	Mutual Fund	8	Bangalore	Female
P6	Fund Manager	Sovereign Wealth Fund	14	Abu Dhabi	Male
P7	Portfolio Analyst	Asset Management	9	Singapore	Female
P8	Senior Strategist	Investment Bank	16	Mumbai	Male
P9	Fund Manager	Global Mutual Fund	11	London	Male
P10	Investment Director	Private Equity	19	New York	Female
P11	Risk Manager	Hedge Fund	13	Singapore	Male
P12	Portfolio Manager	Insurance Company	10	New Delhi	Male
P13	Equity Strategist	Asset	7	Mumbai	Female



		Management			
P14	Senior Analyst	Investment Bank	12	Bangalore	Male
P15	Fund Manager	Pension Fund	17	London	Female
P16	Investment Analyst	Mutual Fund	6	Singapore	Male
P17	Chief Strategist	Hedge Fund	20	New York	Male
P18	Portfolio Manager	Asset Management	14	Dubai	Female
P19	Fund Manager	Sovereign Wealth Fund	16	Singapore	Male
P20	Senior Analyst	Investment Bank	11	Mumbai	Male
P21	Investment Manager	Global Fund	13	London	Female
P22	Risk Strategist	Asset Management	9	Bangalore	Male
P23	Portfolio Director	Pension Fund	21	New York	Male
P24	Fund Analyst	Hedge Fund	8	Singapore	Female

Table 2: Participant Demographics

Table 3: Sample Composition Summary

Category	Distribution
Organization Type	
Asset Management Firms	7 (29.2%)
Hedge Funds	4 (16.7%)
Investment Banks	4 (16.7%)
Pension Funds	4 (16.7%)
Sovereign Wealth Funds	2 (8.3%)
Mutual Funds	2 (8.3%)



Others (PE, Insurance)	1 (4.2%)
Experience Level	
5-10 years	6 (25.0%)
11-15 years	9 (37.5%)
16-20 years	6 (25.0%)
21+ years	3 (12.5%)
Geographic Location	
Singapore	6 (25.0%)
Mumbai	4 (16.7%)
London	4 (16.7%)
New York	4 (16.7%)
Bangalore	3 (12.5%)
Others (Dubai, Abu Dhabi)	3 (12.5%)
Gender	
Male	15 (62.5%)
Female	9 (37.5%)

3.4 Data Collection

3.4.1 Interview Protocol

Data were collected through in-depth semi-structured interviews, the primary method in IPA research (Smith et al., 2009). An interview guide was developed comprising open-ended questions organized around key topics while allowing flexibility for participant-led exploration. Interview Guide:

Opening Questions:

1. Could you tell me about your role and how long you have been involved in investment decisions regarding Indian markets?
2. How would you describe your overall experience investing in India?



Geopolitical Awareness:

3. When you think about recent global conflicts-such as the Russia-Ukraine war or Middle East tensions-what comes to mind in terms of their impact on your work?

4. Can you describe a specific situation where a geopolitical event influenced your thinking about Indian market investments?

Risk Perception:

5. How do you perceive geopolitical risks compared to other types of investment risks?

6. Can you walk me through how you assess geopolitical developments when making investment decisions?

Decision-Making Process:

7. Describe a recent situation where you had to make an investment decision regarding India during a period of geopolitical uncertainty. What was that experience like?

8. What factors weighed most heavily in your decision-making?

9. How did you handle the uncertainty and ambiguity inherent in such situations?

India-Specific Perceptions:

10. How do you perceive India's position as an investment destination during these times of global instability?

11. What factors make India more or less attractive during periods of geopolitical conflict?

12. How has your view of India evolved in light of recent global events?

Strategies and Responses:

13. What strategies do you employ to manage geopolitical risks in your India portfolio?

14. How do these strategies differ during periods of active conflict versus relative stability?

Closing:

15. Is there anything else about your experience investing in India during these times that you would like to share?

16. Looking forward, how do you anticipate global geopolitical developments will shape your India investment approach?

3.4.2 Supplementary Data Sources

To enhance understanding and triangulate findings:

- Document Analysis: Investment reports, fund commentary, market analyses shared by participants
- Field Notes: Researcher observations during interviews
- Memos: Analytical notes developed during data collection and analysis

3.5 Data Analysis

Data analysis followed the IPA procedures outlined by Smith et al. (2009), adapted for a larger sample:

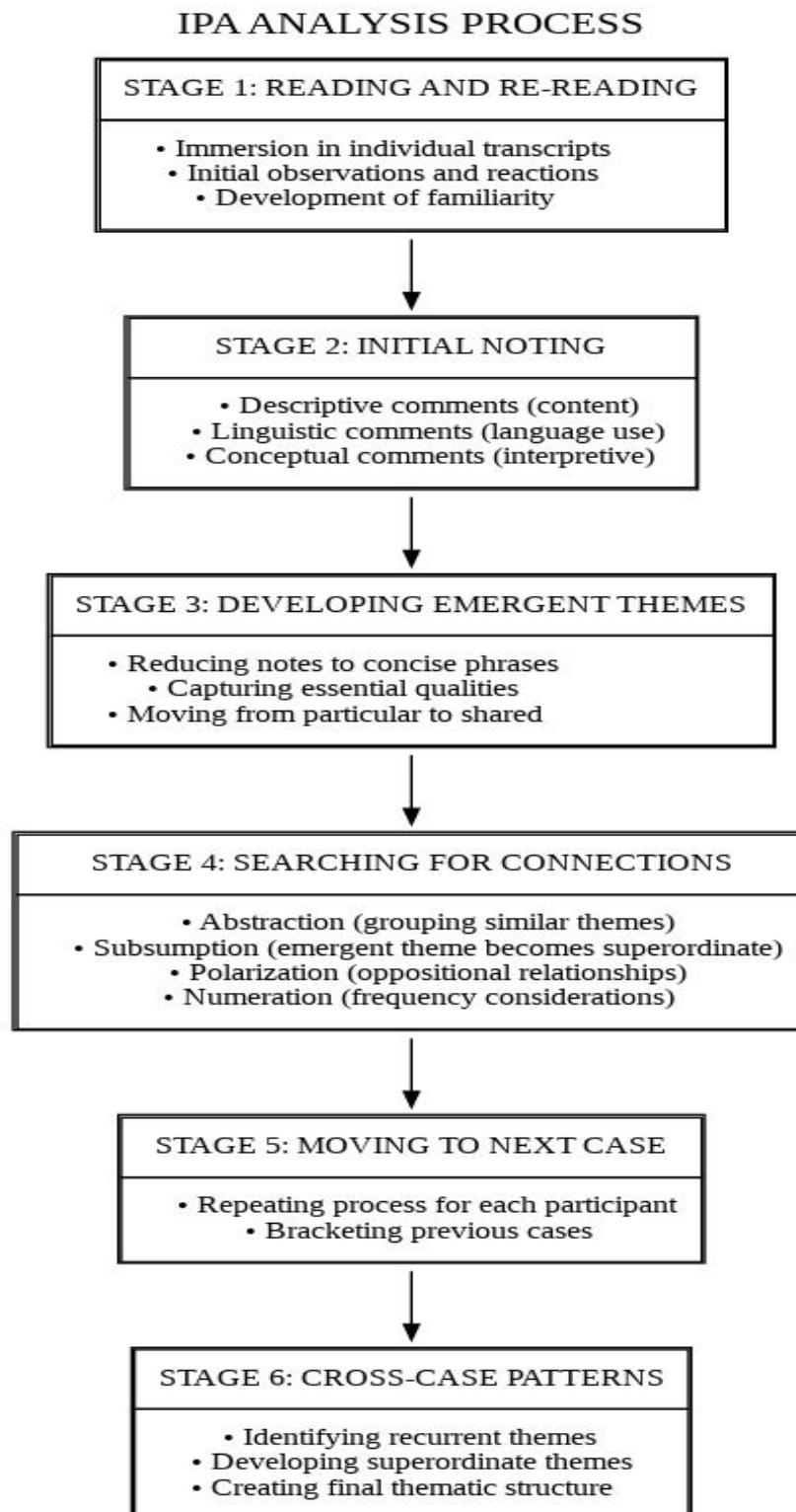


Figure 1: Data Analysis Process

Analysis Tools:

- NVivo 14 software for data management and coding

- Manual thematic mapping for pattern identification
- Reflexive journaling throughout analysis
- Gioia Data Structure analysis

The Gioia Data Structure

To demonstrate qualitative rigor and provide a visual demonstration of how the raw interview quotes translate into abstract concepts, the empirical evidence is organized into a formal Gioia Data Structure.

1st-Order Concepts (Informant-Centric Codes)	2nd-Order Themes (Theoretical Concepts)	Aggregate Dimensions (Overarching Categories)
<p>"Before February 2022, geopolitical risk was this thing you knew existed but kind of sat in the background... Ukraine changed everything." (P4)</p> <p>"I can honestly say the last two years have made me think about risk completely differently. It's not just about earnings anymore-it's about missiles and sanctions." (P1)</p>	<p>Heightened Risk Consciousness</p>	<p>Geopolitical Risk Recalibration</p>
<p>"We've had to build entirely new capabilities. We now have geopolitical analysts on the team... our risk models now include scenario planning." (P17)</p> <p>"Our investment committee meetings have changed dramatically. We used to spend maybe 10% of time on geopolitics-now it's easily 30-40%." (P10)</p>	<p>Expanding Analytical Risk Frameworks</p>	
<p>"We have dashboards now that track conflict indicators, sanctions announcements, military movements... things that would have seemed absurd for an asset manager to track." (P11)</p> <p>"It's become 24/7. A missile strike at 3 AM can move markets by the time Asia opens. You can't just analyze quarterly." (P22)</p>	<p>Continuous Monitoring and Vigilance</p>	
<p>"When Ukraine started, the first instinct-and I mean really instinctive, almost visceral-was to de-risk. Pull back from anything that felt uncertain." (P9)</p> <p>"There's institutional pressure too. When headlines are screaming about war... the easiest</p>	<p>Initial Risk-Off Impulses</p>	<p>Flight to Safety versus Emerging Market Opportunity</p>



thing is to reduce." (P15)		
"Not all emerging markets are created equal... a war in Ukraine affects Hungary very differently than it affects India." (P3) "India's correlation to the Russia-Ukraine situation is actually quite low on fundamentals. Yes, there are oil price impacts, but direct economic linkages? Minimal." (P6)	Differentiated Emerging Market Assessment	
"Every crisis creates opportunities somewhere... India, in many ways, is on the opportunity side of these conflicts." (P17) "When Russia became uninvestable overnight, that capital has to go somewhere... India is increasingly that alternative." (P19)	Opportunity Recognition Amidst Crisis	
"There's more information than ever-Twitter, 24-hour news, intelligence reports... but honestly, it feels like less clarity than ever." (P8) "The fog of war is real not just for militaries but for investors. You're making decisions based on incomplete, possibly wrong information." (P21)	Information Overload and "Fog of War"	Information Uncertainty and Sensemaking
"You have to construct a thesis, a story that makes sense of what's happening. For India, my narrative became: 'neutral power benefiting from multipolar realignment.'" (P4) "We build scenarios best case, worst case, base case each with a narrative to structure our thinking." (P14)	Strategic Narrative Construction	
"My network has never been more valuable. Talking to people on the ground in India, people with government connections... that's gold." (P1) "We've invested in geopolitical expertise former diplomats, intelligence analysts people who can interpret events." (P17)	Reliance on Expert and Local Networks	
"India has managed this incredible balancing act friends with Russia historically, growing closer to the US, engaging with everyone." (P6) "Non-alignment, or 'multi-alignment' as they call it now, means India isn't going to suddenly become uninvestable because of sanctions." (P23)	Geopolitical Neutrality Advantage	India's Positioning as a Strategic Alternative
"India's story is fundamentally domestic. 1.4 billion people, rising middle class, growing consumption... less dependent on global trade	Domestic Demand Resilience	

<p>during conflicts." (P3, P12)</p> <p>"Consumption-driven growth buffers global trade shocks much better than export-dependent Asian economies." (P12)</p>		
<p>"China is not just a slogan anymore it's corporate reality. Every multinational is looking to diversify supply chains, and India is the obvious alternative." (P10)</p> <p>"Apple moving production to India, semiconductor investments... this is geopolitics translating into real capital flows." (P2)</p>	<p>Supply Chain Diversification Beneficiary</p>	
<p>"Regulatory surprises like the retrospective taxation issues years back-still linger in institutional memory. We need consistency." (P15)</p> <p>"Bureaucracy, execution gaps between policy announcements and reality, occasional protectionist tendencies... these are real concerns." (P9, P21)</p>	<p>Policy and Governance Concerns</p>	
<p>"When bombs are falling, you're not thinking about 2030 growth rates. You're thinking about tomorrow, next week. Horizons shrink dramatically." (P11)</p> <p>"Short-term, we reduced India exposure when Ukraine started-not because India fundamentals changed but because everything felt uncertain." (P7)</p>	<p>Short-Term Tactical De-risking</p>	<p>Temporal Investment Horizon Adjustments</p>
<p>"Short-term, we trim and manage risk. But our 10-year view on India has actually strengthened because of geopolitics. The structural story is enhanced." (P4)</p> <p>"You have to separate signal from noise. Wars create volatility-that's noise. India's rise as an economic power-that's signal." (P17)</p>	<p>Long-Term Structural Conviction</p>	
<p>"We've become more dynamic. Our 'core' India allocation is long-term and strategic. Around that, we have tactical flexibility to adjust based on conditions." (P18)</p> <p>"Rigid time horizons don't work in geopolitical environments... You need conviction for the long term but flexibility for the short term." (P23)</p>	<p>Dynamic Horizon Flexibility</p>	

Table 4 - Gioia Data Structure



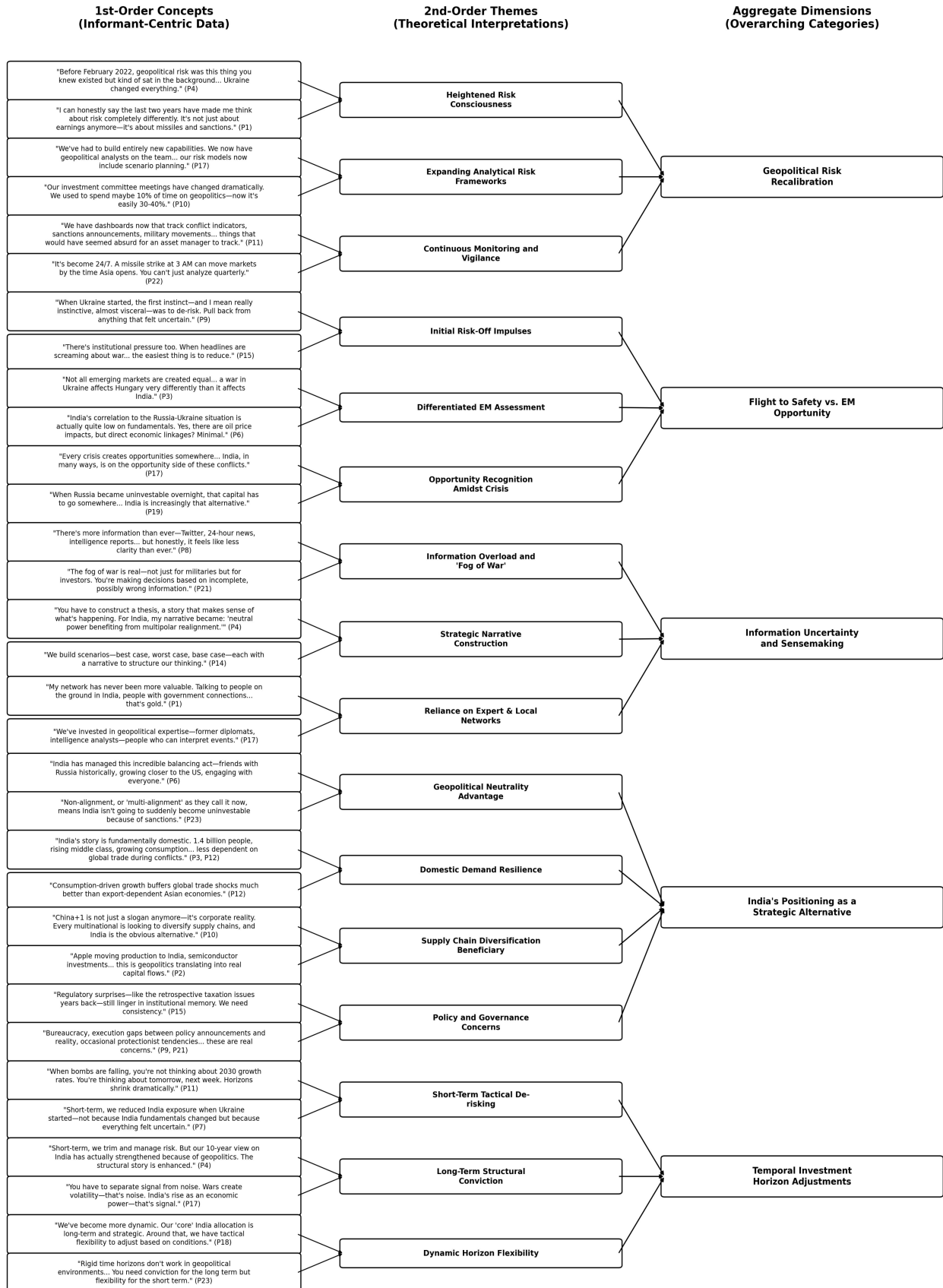


Fig 2 - Gioia Data Structure Flowchart

3.6 Ensuring Trustworthiness

Criterion	Strategy	Implementation
Credibility	Prolonged engagement	9-month data collection period
	Member checking	Findings shared with 8 participants for validation
	Peer debriefing	Regular discussions with co-researchers
	Triangulation	Multiple data sources (interviews, documents, notes)
Transferability	Thick description	Detailed contextual information provided
	Purposive sampling	Clear sampling criteria documented
Dependability	Audit trail	Complete documentation of decisions
	Reflexive journal	Researcher reflections maintained
Confirmability	Reflexivity	Researcher positionality acknowledged
	Raw data retention	Transcripts and recordings preserved

Table 5: Trustworthiness Strategies

3.7 Ethical Considerations

Ethical Procedures:

- Informed Consent: Written consent obtained from all participants
- Confidentiality: Pseudonyms used; identifying details anonymized
- Voluntary Participation: Right to withdraw emphasized
- Data Protection: Secure storage; access restricted to research team
- Sensitive Information: Investment-specific details generalized to protect proprietary strategies
- No Harm: Questions designed to avoid psychological distress
- Transparency: Research purpose clearly explained

3.8 Researcher Positionality

Reflexivity is essential in interpretive research (Finlay, 2002). The lead researcher has academic background in finance and prior experience in financial services, which provided familiarity with the investment context but also potential biases. These were managed through:

- Explicit acknowledgment of pre-understandings
- Regular reflexive journaling
- Peer debriefing sessions
- Allowing participant voices to lead interpretation

4. FINDINGS

The analysis revealed five superordinate themes that capture the essence of FII experiences navigating investment decisions regarding India during periods of global geopolitical conflict. Each superordinate theme comprises several subordinate themes, as illustrated in the thematic map below.

GLOBAL WAR IMPACT ON FII IN INDIA THEMATIC STRUCTURE

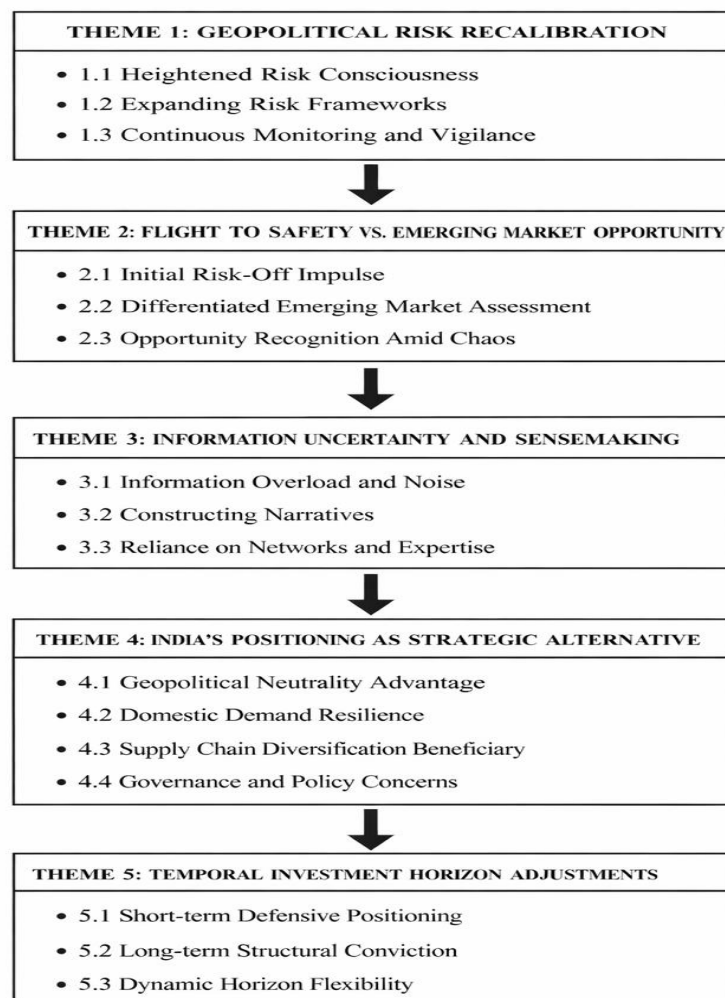


Figure 3: Thematic Map

4.1 Theme 1: Geopolitical Risk Recalibration

This theme captures participants' fundamental recalibration of risk assessment frameworks in response to recent global conflicts, encompassing three subordinate themes.

4.1.1 Heightened Risk Consciousness

Participants described intensified awareness of geopolitical factors that previously occupied peripheral positions in their investment calculus. The Russia-Ukraine conflict served as a watershed moment.

"Before February 2022, geopolitical risk was this thing you knew existed but kind of sat in the background... Ukraine changed everything. Suddenly, you realize a land war in Europe isn't some historical relic-it's happening now, and it's directly hitting markets, supply chains, everything." (P4, CIO, Pension Fund)

"I've been doing this for 18 years, and I can honestly say the last two years have made me think about risk completely differently. It's not just about earnings or interest rates anymore-it's about missiles and sanctions." (P1, Senior Fund Manager)

The emotional dimension was evident, with participants describing anxiety, vigilance, and vulnerability:

"There's an underlying anxiety now that wasn't there before. You're constantly watching headlines, checking news-even on weekends. It's exhausting but feels necessary." (P7, Portfolio Analyst)

4.1.2 Expanding Risk Frameworks

Participants described systematically incorporating geopolitical dimensions into risk assessment frameworks, supplementing traditional financial metrics with geopolitical analysis and scenario planning.

"We've had to build entirely new capabilities. We now have geopolitical analysts on the team-something we never imagined five years ago. Our risk models now include scenarios like 'Taiwan conflict' or 'Middle East escalation.' It's a different world." (P17, Chief Strategist)

"Our investment committee meetings have changed dramatically. We used to spend maybe 10% of time on geopolitics-now it's easily 30-40%. Every country analysis starts with 'what are the geopolitical risks?'" (P10, Investment Director)

4.1.3 Continuous Monitoring and Vigilance

The unpredictable nature of geopolitical developments necessitated continuous monitoring practices differing from traditional investment analysis cycles.

"We have dashboards now that track conflict indicators, sanctions announcements, military movements... things that would have seemed absurd for an asset manager to track just a few years back." (P11, Risk Manager)

"It's become 24/7. A missile strike at 3 AM can move markets by the time Asia opens. You can't just analyze quarterly-you have to be on it constantly." (P22, Risk Strategist)

4.2 Theme 2: Flight to Safety versus Emerging Market Opportunity

This theme captures the tension between risk-averse impulses favoring withdrawal from emerging markets and recognition of differentiated opportunities created by conflicts.

4.2.1 Initial Risk-Off Impulse

Participants described instinctive initial responses involving risk reduction and potential

withdrawal from emerging market equities.

"When Ukraine started, the first instinct-and I mean really instinctive, almost visceral-was to de-risk. Pull back from anything that felt uncertain. Emerging markets as a whole felt uncertain." (P9, Fund Manager)

"There's institutional pressure too. When headlines are screaming about war, your clients, your risk committee-everyone wants to know why you're in 'risky' markets. The easiest thing is to reduce." (P15, Portfolio Manager)

4.2.2 Differentiated Emerging Market Assessment

As initial reactions subsided, participants engaged in differentiated assessments, recognizing that conflicts affected countries in vastly different ways.

"Not all emerging markets are created equal-especially during conflicts. A war in Ukraine affects Hungary very differently than it affects India. Our job is to see those differences, not paint everything with the same brush." (P3, Investment Strategist)

"India's correlation to the Russia-Ukraine situation is actually quite low on fundamentals. Yes, there are oil price impacts, but direct economic linkages? Minimal compared to European emerging markets." (P6, Fund Manager, SWF)

4.2.3 Opportunity Recognition Amid Chaos

Participants recognized potential opportunities created by geopolitical disruptions, particularly for countries positioned to benefit from supply chain realignments.

"Every crisis creates opportunities somewhere. If you're only seeing risk, you're missing half the picture. India, in many ways, is on the opportunity side of these conflicts." (P17, Chief Strategist)

"When Russia became uninvestable overnight, that capital has to go somewhere. When China relations get tense, companies look for alternatives. India is increasingly that alternative-and we saw that as opportunity." (P19, Fund Manager, SWF)

4.3 Theme 3: Information Uncertainty and Sensemaking

This theme addresses how participants experienced and navigated profound informational uncertainty characteristic of geopolitical conflicts.

4.3.1 Information Overload and Noise

Participants described being overwhelmed by information volume while feeling reliable, actionable intelligence was scarce.

"There's more information than ever-Twitter, 24-hour news, intelligence reports, analyst takes-but honestly, it feels like less clarity than ever. Everyone has an opinion; very few have genuine insight." (P8, Senior Strategist)

"The fog of war is real-not just for militaries but for investors. You're making decisions based on incomplete, possibly wrong information, and you know it. That's deeply uncomfortable." (P21, Investment Manager)

4.3.2 Constructing Narratives

To navigate uncertainty, participants engaged in narrative construction-developing coherent stories organizing ambiguous information into actionable frameworks.

"You have to construct a thesis, a story that makes sense of what's happening. For India, my narrative became: 'neutral power benefiting from multipolar realignment.' That story guided our positioning." (P4, CIO)

"We build scenarios-best case, worst case, base case-each with a narrative. It helps structure

thinking when reality is messy and unclear." (P14, Senior Analyst)

4.3.3 Reliance on Networks and Expertise

Facing informational uncertainty, participants relied heavily on professional networks, specialized expertise, and trusted sources.

"My network has never been more valuable. Talking to people on the ground in India, people with government connections, people who understand military dynamics-that's gold when you're trying to make sense of things." (P1, Senior Fund Manager)

"We've invested in geopolitical expertise-former diplomats, intelligence analysts-people who can interpret events in ways pure finance people cannot." (P17, Chief Strategist)

4.4 Theme 4: India's Positioning as Strategic Alternative

This theme addresses how participants perceived and evaluated India as an investment destination during global conflicts.

4.4.1 Geopolitical Neutrality Advantage

Participants highlighted India's geopolitical positioning-maintaining relationships with multiple major powers without full alignment-as a significant advantage.

"India has managed this incredible balancing act-friends with Russia historically, growing closer to the US, engaging with everyone. In a world of 'you're either with us or against us,' India has found a middle path. For investors, that reduces risk." (P6, Fund Manager, SWF)

"Non-alignment, or 'multi-alignment' as they call it now, means India isn't going to suddenly become uninvestable because of sanctions or geopolitical fallout. That's huge when you've seen what happened to Russia holdings." (P23, Portfolio Director)

4.4.2 Domestic Demand Resilience

India's large domestic market and consumption-driven growth model were perceived as providing resilience against global disruptions.

"India's story is fundamentally domestic. 1.4 billion people, rising middle class, growing consumption-that story doesn't change because of a war in Europe. If anything, it becomes more attractive as global growth falters." (P3, Investment Strategist)

"We like markets that are less dependent on global trade during conflicts. India, with its domestic demand focus, fits that profile much better than, say, export-dependent Asian economies." (P12, Portfolio Manager)

4.4.3 Supply Chain Diversification Beneficiary

Participants identified India as a key beneficiary of global supply chain diversification away from China.

"China+1 is not just a slogan anymore-it's corporate reality. Every multinational is looking to diversify supply chains, and India is the obvious alternative for many. That's a multi-year investment theme." (P10, Investment Director)

"Apple moving production to India, semiconductor investments, manufacturing push-this is geopolitics translating into real capital flows. We want to be positioned for that." (P2, Portfolio Manager)

4.4.4 Governance and Policy Concerns

Despite positive positioning, participants expressed concerns about India-specific factors

tempering their enthusiasm.

"India is exciting, but it's not without risks. Regulatory surprises-like the retrospective taxation issues years back-still linger in institutional memory. We need consistency." (P15, Portfolio Manager)

"Bureaucracy, execution gaps between policy announcements and reality, occasional protectionist tendencies-these are real concerns that balance the geopolitical positives." (P9, Fund Manager)

"India's markets can be volatile, corporate governance isn't always up to developed market standards, and you need local expertise to navigate. It's not a simple 'buy India' story." (P21, Investment Manager).

4.5 Theme 5: Temporal Investment Horizon Adjustments

This theme captures how geopolitical conflicts influenced participants' investment time horizons, creating tension between short-term defensive positioning and long-term structural convictions.

4.5.1 Short-term Defensive Positioning

In the immediate aftermath of conflict escalations, participants shifted toward shorter time horizons and more defensive positioning.

"When bombs are falling, you're not thinking about 2030 growth rates. You're thinking about tomorrow, next week. Horizons shrink dramatically." (P11, Risk Manager)

"Short-term, we reduced India exposure when Ukraine started-not because India fundamentals changed but because everything felt uncertain. It was a tactical, defensive move." (P7, Portfolio Analyst)

4.5.2 Long-term Structural Conviction

Contrasting with short-term defensiveness, participants maintained or strengthened long-term structural convictions about India despite near-term uncertainties.

"Short-term, we trim and manage risk. But our 10-year view on India has actually strengthened because of geopolitics. The structural story-demographics, digitalization, formalization, supply chain shifts-these are enhanced by current dynamics." (P4, CIO)

"You have to separate signal from noise. Wars create volatility-that's noise. India's rise as an economic power-that's signal. We focus on signal for long-term allocation." (P17, Chief Strategist)

4.5.3 Dynamic Horizon Flexibility

Participants developed flexible approaches to investment horizons, adjusting dynamically based on evolving geopolitical contexts.

"We've become more dynamic. Our 'core' India allocation is long-term and strategic. Around that, we have tactical flexibility to adjust based on conditions. That combination helps navigate uncertainty." (P18, Portfolio Manager)

"Rigid time horizons don't work in geopolitical environments. You need conviction for the long term but flexibility for the short term. It's both/and, not either/or." (P23, Portfolio Director)

Summary of Findings

theme	subordinate themes	key insight
1. geopolitical risk	heightened consciousness, expanding frameworks, continuous	fundamental transformation in

recalibration	monitoring	risk assessment approaches
2. flight to safety vs. em opportunity	risk-off impulse, differentiated assessment, opportunity recognition	tension between instinctive risk aversion and analytical opportunity seeking
3. information uncertainty & sensemaking	information overload, narrative construction, network reliance	coping mechanisms for navigating profound ambiguity
4. india as strategic alternative	neutrality advantage, domestic resilience, supply chain beneficiary, governance concerns	nuanced assessment balancing opportunities and risks
5. temporal horizon adjustments	short-term defensive, long-term conviction, dynamic flexibility	adaptive approach integrating tactical and strategic perspectives

Table 6: Summary of Themes and Key Insights

5. DISCUSSION

5.1 Interpretation of Findings

The findings reveal that FII investment decision-making regarding India during global conflicts is a complex, multi-layered experiential phenomenon that cannot be reduced to simple risk-return calculations. Participants navigated cognitive, emotional, organizational, and contextual dimensions in reaching investment decisions.

The five superordinate themes represent interconnected aspects of this experience:

Geopolitical Risk Recalibration reflects how conflicts have fundamentally altered risk consciousness among institutional investors. This finding aligns with and extends Caldara and Iacoviello's (2022) quantitative documentation of elevated geopolitical risk indices, providing experiential depth to statistical measures.

Flight to Safety versus Emerging Market Opportunity captures the dialectical tension that characterizes crisis decision-making. This finding resonates with behavioral finance literature on risk aversion during uncertainty (Kahneman, 2011) while revealing how institutional investors consciously work against instinctive risk-off impulses through differentiated analysis. Information Uncertainty and Sensemaking connects to organizational sensemaking theory (Weick, 1995), demonstrating how investors construct narratives and leverage networks to navigate ambiguity. The findings extend sensemaking concepts to the specific context of geopolitical crisis investing. India's Positioning as Strategic Alternative provides rich phenomenological substance to quantitative observations of India's relative resilience during recent conflicts. Participants' articulations of neutrality advantages, domestic demand resilience, and supply chain diversification benefits offer conceptual frameworks for understanding India's attractiveness. Temporal Investment Horizon Adjustments reveals the dynamic interplay between short-term defensive behaviors and long-term structural convictions—a nuance often lost in aggregate flow data that cannot distinguish tactical from strategic decisions.

5.2 Conceptual Framework

Based on the findings, a conceptual framework is proposed to explain FII decision-making during geopolitical conflicts:

**FII INVESTMENT DECISION-MAKING DURING GEOPOLITICAL CONFLICTS
 CONCEPTUAL FRAMEWORK**

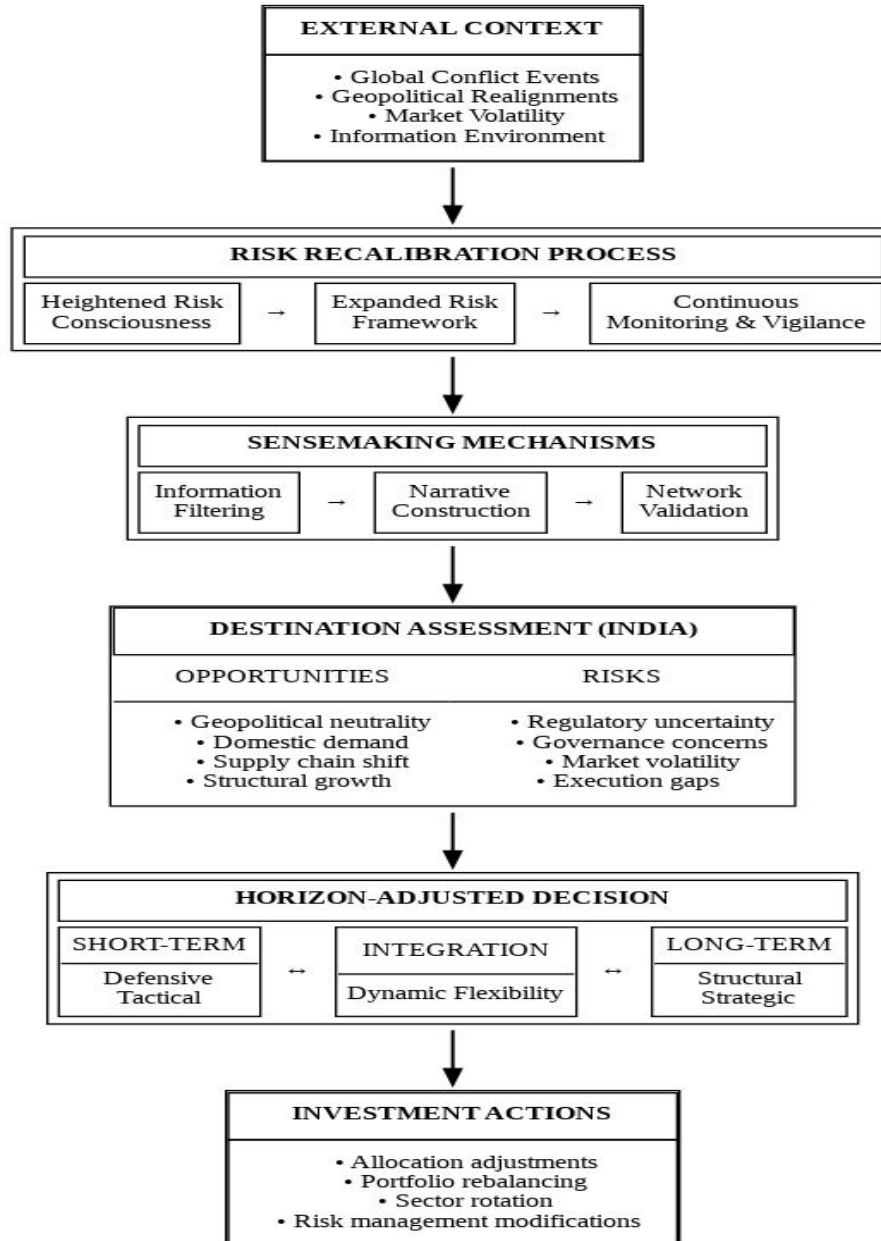


Figure 4: FII Decision-Making Framework During Geopolitical Conflicts

5.3 Theoretical Contributions

This study makes several theoretical contributions:

First, it extends behavioral finance literature by providing phenomenological insight into institutional investor decision-making during geopolitical crises. While behavioral finance has predominantly focused on cognitive biases using experimental methods, this study reveals the experiential, emotional, and meaning-making dimensions of crisis investing.

Second, it applies and extends sensemaking theory (Weick, 1995) to the investment context,

demonstrating how fund managers construct narratives, filter information, and leverage networks to navigate radical uncertainty.

Third, it contributes to emerging market investment literature by providing nuanced, qualitative understanding of how global conflicts differentially affect emerging market perceptions-challenging monolithic "emerging market" categorizations.

Fourth, it develops a conceptual framework for understanding FII decision-making during geopolitical conflicts that can inform future research and practice.

5.4 Comparison with Existing Literature

The findings both support and extend existing literature:

Finding	Relationship to Literature
Heightened geopolitical risk consciousness	Supports Caldara & Iacoviello (2022) quantitative measures
Flight to safety impulses	Confirms Baur & Lucey (2009) flight-to-safety patterns
Differentiated EM assessment	Extends Federle et al. (2024) on heterogeneous conflict effects
India's neutrality advantage	Aligns with Jaishankar (2020) geopolitical positioning analysis
Narrative construction	Extends Tuckett (2011) narrative approaches to crisis contexts
Temporal horizon dynamics	Novel contribution to investment horizon literature

Table 7 - extend existing literature

6. CONCLUSION

6.1 Summary of Key Findings

This phenomenological study explored how Foreign Institutional Investors experience and navigate investment decisions regarding India during periods of global geopolitical conflict. Through in-depth interviews with 24 FII professionals, five superordinate themes emerged:

- **Geopolitical Risk Recalibration:** Participants experienced fundamental transformation in risk consciousness and frameworks
- **Flight to Safety versus Emerging Market Opportunity:** Tension between risk-averse impulses and differentiated opportunity recognition characterized decision-making
- **Information Uncertainty and Sensemaking:** Profound informational ambiguity was navigated through narrative construction and network reliance
- **India's Positioning as Strategic Alternative:** India was perceived favorably due to geopolitical neutrality, domestic demand resilience, and supply chain diversification potential, tempered by governance concerns



- Temporal Investment Horizon Adjustments: Dynamic flexibility between short-term defensive positioning and long-term structural conviction emerged as adaptive response

6.2 Theoretical Implications

The study contributes to behavioral finance, sensemaking theory, and emerging market investment literature by providing phenomenological depth to understanding institutional investor decision-making during crises. The proposed conceptual framework offers a structure for understanding the complex processes through which geopolitical events translate into investment decisions. Secondly, this study makes a vital methodological contribution to behavioral finance by demonstrating how combining Interpretive Phenomenological Analysis with the Gioia methodology successfully bridges the gap between micro-level cognitive sensemaking and macro-level capital flows. Rather than aiming for statistical generalizability, this qualitative framework uncovers 'portable principles' of institutional crisis navigation. These transferable, high-level conceptual relationships explain how professional investors actively construct narrative frameworks to reduce uncertainty and manage asset allocation, offering a highly structured, replicable template that other researchers can confidently apply to analyze similar geopolitical crises in alternative emerging markets.

6.3 Practical Implications

6.3.1 For Indian Policymakers

- Communication Consistency: Maintain clear, consistent communication on regulatory and policy directions to address FII concerns about unpredictability
- Geopolitical Positioning: Continue balanced diplomatic positioning that FIIs perceive as risk-reducing
- Ease of Investment: Simplify regulatory processes to capitalize on positive geopolitical perceptions
- Supply Chain Facilitation: Actively support manufacturing and supply chain investments that FIIs see as structural themes

6.3.2 For Market Regulators

- Stability Mechanisms: Develop market stability mechanisms for conflict-driven volatility periods
- Information Quality: Enhance information environment to reduce uncertainty
- Investor Communication: Regular engagement with FII community during geopolitical events

6.3.3 For Investment Professionals

- Geopolitical Integration: Systematically integrate geopolitical analysis into investment processes
- Differentiated Analysis: Move beyond categorical emerging market approaches to country-specific assessments
- Horizon Flexibility: Develop frameworks that allow tactical flexibility within strategic conviction



- Network Investment: Build networks providing geopolitical intelligence and validation

6.4 Limitations

This study has several limitations that should be acknowledged:

- Sample Scope: Focus on FII perspectives excludes domestic investor viewpoints that may differ
- Temporal Context: Findings reflect a specific temporal context (2023) during active conflicts; perceptions may evolve
- Retrospective Accounts: Interviews capture retrospective sensemaking rather than real-time decision processes
- Geographic Concentration: Participants were concentrated in major financial centers; other locations may offer different perspectives
- Interpretive Nature: Phenomenological findings reflect researcher interpretation and are not generalizable in statistical sense

6.5 Future Research Directions

Several avenues for future research emerge from this study:

- Longitudinal Phenomenological Study: Track how FII perceptions evolve as geopolitical situations develop over time
- Comparative Study: Compare FII decision-making regarding India with other emerging markets during conflicts
- Domestic Investor Perspectives: Explore how domestic institutional investors perceive and respond to same geopolitical events
- Quantitative Validation: Develop survey instruments based on qualitative findings for broader quantitative testing
- Decision-Making Process Tracing: Real-time observation or diary studies capturing decision processes as they unfold
- Organizational-Level Analysis: Explore how organizational factors (fund type, size, mandate) shape geopolitical responses
- Policy Impact Assessment: Evaluate effectiveness of policy measures in addressing FII concerns during conflicts

6.6 Concluding Remarks

Global geopolitical conflicts have emerged as defining features of the contemporary investment landscape, compelling institutional investors to fundamentally reconsider their approach to risk, information, and international allocation. For India, this turbulent environment presents both challenges and significant opportunities. The lived experiences of FII professionals reveal a nuanced, complex decision-making process that balances instinctive risk aversion with analytical opportunity recognition, navigates profound uncertainty through narrative construction and network validation, and dynamically adjusts temporal horizons in response to evolving conditions. India's positioning-geopolitically neutral, domestically demand-driven, benefiting from supply chain diversification-emerged as compelling from FII perspectives, though tempered by governance and regulatory concerns. Understanding these



perceptions offers valuable insights for policymakers seeking to enhance India's attractiveness to foreign capital during continued global instability.

As geopolitical tensions show little sign of abating, the need for deeper understanding of how such events shape international capital flows becomes ever more pressing. This study offers a contribution to that understanding, providing phenomenological insight into the human experiences underlying aggregate investment flows.

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