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# **Saving Behaviour Under Imperfect Financial** Markets and the Current Account Consequences

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#### **Abstract**

We seek to establish the general empirical importance of investmentmotivated saving. Our hypothesis is that inadequate financial intermediation will induce agents to save more in order to undertake lumpy physical investment in the future. The result is a positive relationship between the degree of capital market imperfection and the size of the private saving rate. A simulation exercise calibrated on Taiwan found a close match between the simulated and actual data. Regression analysis established that the private saving rate was negatively related to the level of financial market sophistication.

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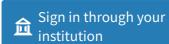
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