

## **ABSTRACT**

In this paper, we try to explain the ‘Feldstein–Horioka’ puzzle which is concerned with International Capital Mobility and Saving–Investment Correlation. We employ Time Series Co-integration and Panel Unit Co-integration techniques to find such a relationship for a total of 42 countries in four sub samples. A Co-integrating relationship is observed between our variables, and that the “FH Coefficient” which, according to the FH Study (1980) measures capital mobility, decreases with time which is in conjunction with freer capital controls, market integration and openness as given by the Lane and Miles – Ferreti and KAOPEN index. The Saving-Investment Correlation is most affected by Country Size, Openness and Current Account.

