

## **Benefits and Costs of Integrated Financial Services Provision in Developing Countries**

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This paper analyzes the benefits and costs of integrated financial services provision (IFSP), that is, the ability of a financial institution to provide all types of financial services under one roof, with special reference to developing countries. Most analytical and empirical work to date finds IFSP to be beneficial for economies and firms as it enhances the efficiency of the financial sector, widens access to financial services, and reduces financial sector specific and overall economic volatility. The (limited) available evidence for emerging markets is even stronger. It also suggests important static and dynamic gains from IFSP, particularly in developing non-bank financial services such as pension and insurance services. Possibly reflecting these greater gains, emerging markets have a relatively large presence of financial conglomerates when considering the restrictions their governments impose. IFSP can have risks, however, and requires enhanced regulation and supervision in some areas, especially to prevent (more) leakage from any publicly provided safety net, and puts more emphasis on ensuring a contestable financial system.