

A New Development Database

Deposit Insurance around the World

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In the past two decades, in a series of banking crises around the world, banks have become systematically insolvent. These crises have occurred in developed and developing economies alike. To make such financial system breakdowns less likely and to limit their costs if they occur, policymakers feel the need for financial safety nets. These include such policies as implicit or explicit deposit insurance, a lender of last resort function of the central bank, bank insolvency resolution procedures, and bank regulation and supervision. Of these policies, explicit deposit insurance has been gaining popularity in recent years. Since the 1980s the number of countries with explicit deposit insurance schemes almost tripled, with most OECD countries and an increasing number of developing economies adopting some form of explicit depositor protection. In 1994 deposit insurance became the standard for the newly created single banking market of the European Union. Establishing an explicit deposit insurance scheme became part of the generally accepted best practice advice given to developing economies.

I. THE ORIGIN OF THE DATABASE

Given the complexities involved in safety-net design and operation, policymakers often request technical assistance from the World Bank, particularly on the design of deposit insurance. Until recently, bank staff were unable to give sound policy advice because of the absence of a cross-country data set on deposit insurance characteristics and a lack of empirical evidence on how different deposit insurance designs affect banking outcomes. A recent World Bank research project has started to fill this gap by collecting a cross-country data set and using it to develop much-needed empirical evidence (Demirgüç-Kunt and Kane 1998).

This article presents this data set on deposit insurance system arrangements currently in place around the world. A large section of the data set is constructed using the survey results of an International Monetary Fund study by Garcia (1999) and earlier sources such as Kyei (1995) and Talley and Mas (1990). Additionally, information from other country sources is also compiled to double-check the data sets. Most of the data are coded through dummy variables to represent the presence or absence of the deposit insurance features. A few other features that are not suitable for binary coding are categorized using a range of

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numeric values. The main motive for presenting the data in this format is to enable researchers to process the data sets for quantitative analysis using computer applications. The database (a Microsoft® Excel spreadsheet), further details on its construction, including data sources and individual country notes, are available on the Web site www.worldbank.org/research/interests/confs/upcoming/deposit_insurance/home.htm.

II. FEATURES OF THE DEPOSIT INSURANCE SYSTEM DATABASE

Table 1 provides information on deposit insurance design features for the 71 countries with explicit schemes. The following section describes deposit insurance features and information on the presentation methodology of the database.

Explicit or Implicit Deposit Insurance

TYPE. The first variable in the database identifies the form of the deposit insurance, whether explicit or implicit. Deposit insurance is explicit if some form of legislation, such as the central bank law, banking law, or the constitution, establishes a guarantee scheme for deposits. In the absence of such formal arrangements, we assume that the country has an implicit deposit insurance system. Countries with explicit deposit insurance systems are coded 1, and the other countries are coded 0. The database has information on 178 countries, but the table reports only the design features of 71 explicit schemes.

DATE ENACTED OR REVISED. This variable identifies the year in which an explicit deposit insurance system was enacted and the year any revisions were made. Further details are provided in country notes.

Coverage Variables

Deposit insurance systems vary in the extent and amount of coverage that they provide depositors. The schemes specify the types of deposits, types of institutions, and the maximum amount of deposits guaranteed.

EXTENT OF COVERAGE. Systems offering coverage to deposits denominated in foreign currencies are coded 1 and systems excluding such deposits are coded 0. Most countries with explicit insurance systems do not extend coverage to interbank deposits. Deposit insurance systems extending coverage to interbank deposits are coded 1 and systems that do not are coded 0.

AMOUNT OF COVERAGE. The amount of coverage provided by deposit insurance schemes varies. The database provides different coverage variables and a variable for the existence of coinsurance arrangements.

COVERAGE LIMITS I. This variable provides the coverage limits of the insurance schemes that were in effect during the first half of 1999 in U.S. dollars or ECU.

COVERAGE RATIOS. This variable shows the ratio of the coverage limits to 1998 GDP per capita.

COINSURANCE. This variable is coded 1 if there is coinsurance, and 0 otherwise.

Funding Variables

FUNDING TYPE. Deposit insurance schemes fall into two categories in the way they are funded by banks. The most conventional type is the funded system, in which the member institutions make periodic contributions to an established, permanent fund. The alternative type, the unfunded system, has no permanently maintained fund, and members are required to contribute to the fund after a bank failure. Funded systems are coded 1, and unfunded systems are coded 0.

ANNUAL PREMIUMS. This variable provides the banks' annual premiums that are applied to the assessment base (generally deposits or insured deposits). If contributions are made after banking problems, this is indicated.

RISK-ADJUSTED PREMIUMS. Banks contribute to the fund by paying periodic premiums at either variable or fixed rates. Risk-adjusted systems are coded 1; fixed premiums are coded 0.

SOURCE OF FUNDING. In addition to the premiums collected from the banks, most insurance schemes can also resort to public funds when needed. Systems exclusively funded by the banks are coded 0. Systems exclusively funded by public funds are coded 2. Systems with access to both sources are classified as "jointly funded" and coded 1.

Administration and Membership Variables

ADMINISTRATIVE FORM. Systems administered by official authorities are coded 1, those administered by private authorities are coded 3, and those administered jointly are coded 2. Private administrators typically have limited authority. These are mentioned in the country notes.

TYPE OF MEMBERSHIP. Membership in deposit insurance systems may be compulsory or voluntary. As of spring 1999 a majority of the deposit insurance schemes were compulsory. The compulsory systems are coded 1, and the voluntary systems are coded 0.

III. CONCLUDING REMARKS

The cross-country database of deposit insurance design features described herein is part of a broader research project to understand the impact of deposit insurance design on bank stability, market discipline, and financial development. This database can be used to investigate a wide range of issues including when devel-

TABLE 1. Explicit Deposit Insurance Schemes around the World

Country	Type	Date enacted/ revised	Foreign	Interbank	Coverage limits-1 US\$ or ECU	Coverage ratios
	explicit = 1 implicit = 0		currencies yes = 1 no = 0	deposits yes = 1 no = 0		
Argentina	1	1979/1995	1	0	30,000	3
Austria	1	1979/1996	1	0	\$24,075 but coinsurance for businesses	1
Bahrain	1	1993	1	0	5,640	1
Bangladesh	1	1984	0	0	2,123	6
Belgium	1	1974/1995	1	0	15,000 ECU until year 2000	1
Brazil	1	1995	1	0	17,000	4
Bulgaria	1	1995	1	0	1,784	1
Cameroon	1	1999	0	1	5,336	9
Canada	1	1967	0	1	40,770	2
Central African Republic	1	1999	0	1	3,557	13
Chad	1	1999	0	1	3,557	15
Chile	1	1986	1	0	demand deposits in full and 90% co- insurance to UF 120 of \$3,600 for savings deposits	1
Colombia	1	1985	0	1	in full until 2001, then coinsurance to \$5,500	2
Croatia	1	1997	1	0	15,300	3
Czech Republic	1	1994	0	0	coinsurance to \$11,756	2
Denmark	1	1988/1998	1	0	20,000 ECU	1
Dominican Republic	1	1962	1	0	coinsurance to \$13,000	7
Ecuador	1	1999	1	1	in full to year 2001	
El Salvador	1	1999	1	0	4,720	2
Equatorial Guinea	1	1999	0	1	3,557	3
Estonia	1	1998	1	0	coinsurance 90% of \$1,383, but 20,000 ECU in year 2010	0
Finland	1	1969/1992/ 1998	1	0	29,435	1

Co-insurance yes = 1 no = 0	Permanent fund funded = 1 unfunded = 0	Annual premiums	Risk-adjusted premiums yes = 1 no = 0	Source of funding 0 = private 1 = joint 2 = public	Administration official = 1 joint = 2 private = 3	Membership compulsory = 1 voluntary = 0
0	1	risk-based, 0.36 to 0.72	1	0	3	1
1	0	pro rata, ex post	0	1	3	1
0	0	ex post	0	0	2	1
0	1	0.005	0	1	1	1
0	1	0.02 + 0.04	0	1	2	1
0	1	0.3	0	0	3	1
0	1	risk-based to 0.5	1	1	2	1
0	1	risk-based: 0.15% of deposits + 0.5% of net non-performing loans	1	1	2	0
0	1	0.33 max	0	1	1	1
0	1	risk-based: 0.15% of deposits + 0.5% of net nonperforming loans	1	1	2	0
0	1	risk-based: 0.15% of deposits + 0.5% of net nonperforming loans	1	1	2	0
1	0	none	0	2	1	1
1	1	0.3	0	0	1	1
0	1	0.8	0	1	2	1
1	1	commercial banks 0.5, savings banks 0.1	0	1	1	1
0	1	0.2 (maximum)	0	1	2	1
1	1	0.1875	0	1	2	0
0	1	0.65	0	n.a.	1	1
0	1	risk-based, 0.1 to 0.3	1	1	1	1
0	1	risk-based: 0.15% of deposits + 0.5% of net nonperforming loans	1	1	2	0
1	1	0.5 (maximum)	0	1	2	1
0	1	risk-based: 0.05 to 0.3	1	1	3	1

(continued)

TABLE 1. (continued)

Country	Type	Date enacted/ revised	Foreign	Interbank	Coverage limits-1 US\$ or ECU	Coverage ratios
	explicit = 1 implicit = 0		currencies yes = 1 no = 0	deposits yes = 1 no = 0		
France	1	1980/1995	1	0	65,387	3
Gabon	1	1999	0	1	5,336	1
Germany	1	1966/1969/ 1998	1	0	private: 30% of capital; official coinsurance 90% to 20,000 ECU	1
Gibraltar	1	1998	1	n.a.	lesser of 90% coinsurance or 20,000 ECU	
Greece	1	1993/1995	1	0	20,000 ECU	2
Hungary	1	1993	1	0	4,165 ECU or \$4,564	1
Iceland	1	1985/1996	1	0	20,000 ECU	1
India	1	1961	1	0	2,355	6
Indonesia	1	1998			Blanket guarantee	
Ireland	1	1989/1995	1	0	coinsurance 90% to 15,000 ECU	1
Italy	1	1987/1996	1	0	125,000	6
Jamaica	1	1998	1	0	5,512	2
Japan	1	1971	0	0	\$71,000, but in full until March 2001	
Kenya	1	1985	1	1	1,750	5
Korea	1	1996	0	0	\$14,600, but in full until 2000	0
Latvia	1	1998	1	0	\$830 until 2000	0
Lebanon	1	1967	0	1	3,300	1
Lithuania	1	1996	1	0	\$6,250 then coinsurance	2
Luxembourg	1	1989	1	0	coinsurance 90% to ECU 15,000 through 1999, then to ECU 20,000	0
Macedonia	1	1996	1	0	coinsurance 75% to \$183	0
Malaysia	1	1998			Blanket guarantee	
Marshall Islands	1	1975	1	1	100,000	
Mexico	1	1986/1990	1	1	in full except sub- ordinated debt until 2005	
Micronesia	1	1963	1	1	100,000	
Netherlands	1	1979/1995	1	0	20,000 ECU	1

Co- insurance yes = 1 no = 0	Permanent fund funded = 1 unfunded = 0	Annual premiums	Risk- adjusted premiums yes = 1 no = 0	Source of funding 0 = private 1 = joint 2 = public	Administration official = 1 joint = 2 private = 3	Membership compulsory = 1 voluntary = 0
0	0	on demand but limited	0	0	3	1
0	1	risk-based: 0.15% deposits + 0.5% of net nonperforming loans	1	1	2	0
1	1	official is 0.03 but can be doubled	0	0	3	1
1	0	administrative expenses and ex post contributions	0	0	2	1
0	1	decreasing by size: 1.250 to 0.025	0	0	2	1
0	1	risk-based to 0.3	1	1	2	1
1	1	0.15	0	0	1	1
0	1	0.05	0	1	1	1
1	1	0.2	0	0	1	1
0	0	risk-adjusted ex post 0.4 to 0.8	1	1	2	1
0	1	0.1	0	1	1	1
0	1	0.0048 + 0.036	0	1	2	1
0	1	0.15	0	1	1	1
1	0.05	0	1	1	1	
0	1	0.3	0	1	1	1
0	1	0.05	0	1	2	1
1	1	1.5	0	1	1	1
1	0	ex post	0	0	3	1
1	1	1.5%, risk-based 1% to 5%	1	1	2	0
0	1	risk-based, 0.00 to 0.27	1	0	1	0
0	1	0.3 (max 0.5) plus 0.7 as needed	0	1	1	1
0	1	risk-based, 0.00 to 0.27	1	0	1	0
0	0	ex post	0	1	1	1

(continued)

TABLE 1. (continued)

Country	Type	Date enacted/ revised	Foreign	Interbank	Coverage limits-1 US\$ or ECU	Coverage ratios
	explicit = 1 implicit = 0		currencies yes = 1 no = 0	deposits yes = 1 no = 0		
Nigeria	1	1988/1989	0	1	\$588 (at market exchange rate), \$2,435 (at official exchange rate)	2
Norway	1	1961/1997	1	0	260,800	8
Oman	1	1995	1	0	Coinsurance 75% to \$52,630	9
Peru	1	1992	1	0	21,160	9
Philippines	1	1963	1	1	2,375	3
Poland	1	1995	1	0	1,000 ECU, then 90% coinsurance for the next 4,000 ECU	0
Portugal	1	1992/1995	1	0	15,000 ECU, co- insurance to 45,000 ECU	1
Congo, Rep.	1	1999	0	1	3,557	5
Romania	1	1996	1	0	3,600	2
Slovak Republic	1	1996	1	0	7,900	2
Spain	1	1977/1996	1	0	15,000 ECU through 1999, then 20,000 ECU	1
Sri Lanka	1	1987	0	0	1,470	2
Sweden	1	1996	1	0	28,663 ECU, \$31,412	1
Switzerland	1	1984/1993	0	0	19,700	1
Taiwan, China	1	1985	0	0	38,500	3
Tanzania	1	1994	0	0	376	2
Thailand	1	1997			Blanket guarantee	
Trinidad and Tobago	1	1986	1	1	7,957	2
Turkey	1	1983	1	0	in full	
Uganda	1	1994	0	0	2,310	8
Ukraine	1	1998	1	0	250	0
United Kingdom	1	1982/1995	1	0	Larger of 90% co- insurance to \$33,333 or 22,222 ECU	1
United States	1	1934/1991	1	1	100,000	3
Venezuela, RB de	1	1985	0	0	7,309	2

Source: Demirgüç-Kunt and Sobaci 2000.

Co- insurance yes = 1 no = 0	Permanent fund funded = 1 unfunded = 0	Annual premiums	Risk- adjusted premiums yes = 1 no = 0	Source of funding 0 = private 1 = joint 2 = public	Administration official = 1 joint = 2 private = 3	Membership compulsory = 1 voluntary = 0
0	1	0.9375	0	1	1	1
0	1	0.005 of assets and 0.01 of total deposits	0	1	3	1
1	1	0.02	0	1	1	1
0	1	risk-based from 0.65 to 1.45	1	1	2	1
0	1	0.2	0	1	1	1
1	1	not more than 0.4	0	1	1	1
1	1	risk-based, 0.08 to 0.12 + more in emergencies	1	1	1	1
0	1	risk based: 0.15% of deposits + 0.5% of net nonperforming loans	1	1	2	0
0	1	risk-based: 0.3 to 0.6	1	1	2	1
0	1	0.1 to 0.3 for banks	0	1	2	1
0	1	maximum of 0.2	0	1	2	1
0	1	0.15	0	1	1	0
0	1	risk-based, 0.5 now, 0.1 later (future date is not available)	1	1	1	1
0	0	on demand	0	0	3	0
0	1	0.015	0	1	1	0
0	1	0.1	0	1	3	1
0	1	0.2	0	1	1	1
0	1	risk-based 1.0 to 1.2	1	1	1	1
0	1	0.2	0	1	1	1
0	1	0.5 plus special charges	0	1	1	1
1	0	on demand	0	0	3	1
0	1	risk-based, 0.00 to 0.27	1	1	1	1
0	1	2	0	1	1	1

oping countries should adopt explicit insurance schemes and how these schemes should be designed (see Demirgüç-Kunt and Detragiache 2000; Demirgüç-Kunt and Huizinga 2000; Cull and others 2000; Kane 2000).

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