

U-shaped premium for implicit deposit insurance within Russian state banks

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Abstract¹

Deposit insurance system (DIS) exists for 17 years in Russia. The major deposit market share relates to the state banks. Ordinary depositors may perceive the status of the bank state ownership to reflect additional deposit safety, even in the excess of the DIS limits. Such a situation is called an ‘implicit deposit insurance’ in the literature. By offering a sort of implicit deposit insurance services the state banks might underprice the deposits in excess of DIS limits compared to the private banks. We utilize data from the open sources to measure the scale of the implicit deposit insurance pricing in the Russian state banks. We were able to confirm that it is unjust to blame Russian banks in underpricing of large-sum deposits. Inversely, we revealed that our state banks pay extra premium all other things being equal. More specifically, the premium is larger in the smallest and the largest state banks, than in the medium-sized ones. Thus, we claim that the implicit insurance premium has U-shaped form for the Russian state banks depending on their asset size.

Keywords: deposit insurance system, deposit, interest rate, state bank.

JEL Codes: E53; E44; G28; G21.

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