

# Surety Bond vs Bank Guarantee

Two ways to back a contractual obligation — and how the right choice frees up working capital and bank limits. A side-by-side, plus when each one wins.

## At a glance

	Bank guarantee	Surety bond
Issued by	Your bank	An IRDAI-licensed insurer
Cash margin	Typically 10–25% locked	Usually none
Bank limits	Consumes non-fund limits	Does not touch bank limits
Regulation	RBI	IRDAI (surety guidelines, 2022)
Best when	Limits are ample & cheap	Limits are tight or exhausted

## When a surety bond wins

- Your bank-guarantee limits are exhausted and new projects need bonding.
- You want to stop locking cash margin against every guarantee.
- You are bidding across multiple projects and need capacity to scale.
- You would rather keep bank limits free for fund-based working capital.
- The employer accepts IRDAI surety bonds (increasingly standard on public works).

## When a bank guarantee still makes sense

- Your sanctioned BG limits are generous and the margin cost is low.
- The beneficiary specifically requires a bank-issued instrument.
- The obligation is small and short, and switching adds little.

## How to switch — in four steps

- 1 Map your live and upcoming bonding requirement across projects.
- 2 Get rated / underwritten by a surety insurer (your financials drive pricing).
- 3 Confirm the employer accepts surety bonds; align the wording.
- 4 Issue surety for new requirements; free the cash margin for working capital.

See exactly what a surety programme could free up — use our calculator or talk to us.