

RBI hikes risk buffer, preps peak dividend

FY26 dividend at record ₹2.87 tn; risk buffer raised by ₹1.09 tn

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The Reserve Bank of India (RBI) will transfer a record ₹2.87 trillion dividend to the Centre and boost its contingency risk buffer by over ₹1 trillion, balancing the need to support public finances and prepare for heightened global risks.

The RBI board on Friday approved the dividend, higher than last year's ₹2.68 trillion, but slightly below expectations. The dividend hike is expected to provide a significant boost to the Centre's finances at a time of rising pressure from volatile crude oil prices, potential subsidy burdens and slowing economic growth.

However, economists remained divided on whether the transfer would be enough to prevent a widening fiscal deficit amid escalating geopolitical tensions linked to the US-Iran conflict.

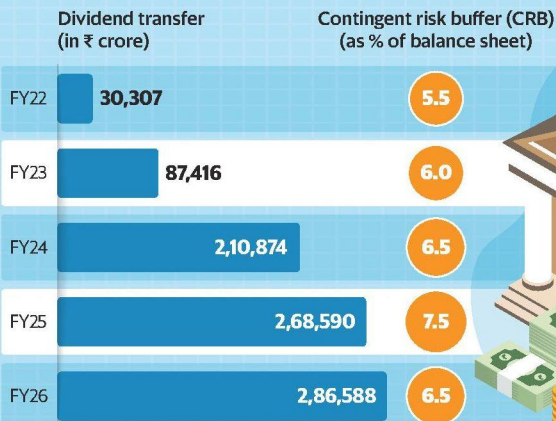
The decisions were taken at a meeting of the RBI's Central Board of Directors chaired by governor Sanjay Malhotra. The meeting, attended by deputy governors Swaminathan J., Poonam Gupta, Shirish Chandra Murmu and Rohit Jain along with other board members, reviewed the global and domestic economic outlook as well as risks to growth.

Devendra Kumar Pant, chief economist at India Ratings & Research, said the transfer—equivalent to 90.8% of the government's budgeted non-tax revenue expectations—would help ease pressure on the fiscal deficit amid geopolitical uncertainties.

However, Aditi Nayar, chief economist at Ica Ltd, said the fiscal deficit

CASH TOP-UP

The dividend will boost the Centre's finances amid oil price pressures, while a bigger risk buffer helps RBI intervene in markets effectively



Source: Reserve Bank of India

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DIVIDEND DEBATE

RISK buffer boost by ₹1.09 tn, higher than ₹44,862 cr in FY25

DESPITE the record transfer, dividend below expectations

FINMIN budgeted a total ₹3.15 tn dividend from RBI and others

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due to expectations of higher fertilizer and fuel subsidies, alongside weaker tax collections and lower dividends from oil marketing companies.

“While the Economic Stabilisation Fund and customs duty hikes on gold and silver imports are likely to provide some cushion, we expect the GoI to exceed the budgeted fiscal deficit target for FY27 of 4.3% of GDP by 40 basis points, assuming an average crude oil price of \$95/barrel,” Nayar said.

“The RBI surplus transfer is marginally lower than expected, thereby limiting the levers for the government in terms of managing the fiscal slippage risks,” said

of Kotak Mahindra Bank. “While we do not see extra borrowing risks for now, we continue to monitor the extent of subsidy and tax growth slowdown.”

The finance ministry had budgeted a total dividend of ₹3.15 trillion in FY26 from RBI and other public-sector institutions. In the Union Budget for FY27, the ministry pegged total dividend receipts at ₹3.16 trillion.

The board also decided to transfer ₹1.09 trillion towards RBI's Contingent Risk Buffer (CRB), higher than ₹44,862 crore in FY25, taking into consideration the current macroeconomic factors, financial perform-

RBI to pay record ₹2.87 tn dividend for FY26

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ance of the bank and maintenance of appropriate risk buffers, it said.

“Transferring a higher amount to the CRB will help the RBI intervene in financial markets as per the evolving domestic and global macroeconomic conditions,” India Ratings’ Pant said.

However, the contingency risk buffer as a share of the balance sheet declined to 6.5% from 7.5% last year. The Economic Capital Framework (ECF) allows RBI to maintain a CRB of 4.5-7.5% of the balance sheet size. RBI’s balance sheet expanded 20.6% y-o-y to ₹91.97 trillion as at the end of March 2026.

RBI’s net income, before risk provision and transfer to statutory funds, rose 26.3% year-on-year (y-o-y) to ₹3.96 trillion in FY26. Gross income for FY26 increased by 26.4% y-o-y whereas expenditure before risk provisions increased by 27.6%.

The central bank makes an annual transfer to the government from its surplus income generated through investment earnings, valuation gains on foreign exchange holdings including the dollar, and fees from printing currency notes. Frequent dollar sales by the RBI in FY26 to defend the local currency amid foreign outflows and increase in the value of the US dollar are seen to have driven the balance sheet expansion for RBI in FY26, according to experts.

The Indian currency has fallen over 6% since the war began in late February and touched a record low of 96.96 per dollar on Wednesday.

Foreign portfolio investors (FPIs) have been net sellers for all months of this calendar year, barring February. In FY27 so far, FPIs have registered net outflows of \$10 billion.