

# RBI Board okays record surplus transfer of Rs 2.86 lakh crore to government for FY26

The record dividend payout during 2025-26 was on the back of "robust earnings" of the RBI, led by large amounts of dollar sales to support the falling rupee and higher revenue earned on foreign assets due to rise in interest rates in the international markets.

Written by: [George Mathew](#) 5 min read Mumbai Updated: May 23, 2026 01:55 AM IST



In a massive boost to India's fiscal finances, the RBI has approved a staggering ₹2.86 lakh crore surplus transfer to the Central Government for FY26. (File)

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At a time when the West Asia conflict and the surge in crude oil prices are weighing heavy on the fisc, the Reserve Bank of India's (RBI) Central Board Friday approved a record surplus transfer of Rs 2,86,588 crore to the Central Government for the accounting year 2025–26, offering a significant boost to the Centre's finances.

The higher dividend could help improve the government's overall fiscal position and provide greater flexibility in policy spending during an increasingly tough year ahead.

The dividend payout is approximately 6.7 per cent, or Rs 17,998 crore, higher than the Rs 2,68,590 crore transferred by the RBI in 2024–25, marking the highest-ever surplus transfer by the central bank. The RBI had paid Rs 2,10,874 crore in FY2023-24 and Rs 87,416 crore in FY2022-23.

The sharp increase in dividend payouts was supported by the RBI's strong earnings during the year. At the same time, the RBI raised the contingency risk buffer (CRB) to Rs 109,379 crore to create a safeguard in case geopolitical tensions escalate or crude oil prices worsen. A significant contributor to higher surplus was the central bank's large-scale sale of US dollars in the foreign exchange market to support the rupee amid persistent depreciation pressures, leading to substantial trading gains for the RBI.

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“The transfer would have been Rs 64,518 crore higher had the RBI limited contingency risk buffer (CRB) to the last year level of Rs 44,862 crore. Transferring higher amount to the CRB will help in RBI intervening in the financial market as per the evolving domestic and global

macroeconomic conditions,” said Devendra Kumar Pant, Chief Economist, India Ratings & Research.

The ongoing geopolitical tensions, conflict in West Asia, risks to energy prices, and volatility in bond and currency markets may have led the RBI to favour building a stronger CRB, analysts said.

In addition, the RBI benefited from higher returns on its foreign currency assets as global interest rates remained elevated across major advanced economies. The increase in yields on overseas securities and investments strengthened the central bank’s income position, enabling it to transfer a larger surplus to the government while maintaining adequate risk buffers.

## EXPLAINED

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### Sparing some for market intervention

The amount transferred to the government could have crossed Rs 3.5 lakh crore had the RBI limited the contingency risk buffer to last year’s level. But transfers to the buffer will help the central bank intervene in the financial market as per evolving macro conditions.

The record transfer is expected to provide the government, which has been facing a fiscal strain, with additional fiscal space, helping it to manage expenditure commitments, support infrastructure spending, and contain the fiscal deficit without significantly increasing borrowing.

“Surplus transfer by RBI is 90.8 per cent of budgeted non-tax revenue under ‘dividend/surplus of Reserve Bank of India, Nationalised Banks & Financial Institutions’ head for FY27 (BE). Higher transfer will reduce some pressure on the fiscal deficit due to the geopolitical situation,” Pant said.

The enhanced inflow will provide the government with greater flexibility to increase infrastructure and capital expenditure, particularly in sectors such as transportation, energy, urban development and public logistics, which are seen as key drivers of long-term economic growth.

The higher dividend payout is expected to ease concerns surrounding the government's borrowing programme by lowering the need for additional market borrowing during the financial year. This could help contain bond yield – 10-year benchmark yield is at 7.09 per cent now — and reduce upward pressure on interest rates, thereby supporting overall financial stability.

### Why CRB was hiked

The RBI Central Board decided to transfer a higher amount of Rs 109,379.64 crore towards the Contingent Risk Buffer (CRB) for FY 2025-26 as against Rs 44,861.70 crore in the previous year. CRB serves as the RBI's financial safety cushion, consisting of funds reserved to absorb unexpected risks arising from currency volatility, interest-rate shocks, financial crises, market losses and operational risks.

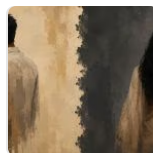
The continuing geopolitical tensions, particularly the conflict in West Asia, along with the associated risks of sudden spikes in global energy prices, appear to have contributed to a more cautious stance by the RBI. In addition, heightened volatility across global bond markets and foreign exchange markets has likely reinforced the case for prudence. Against this backdrop, the RBI may have preferred to strengthen its policy buffer, ensuring greater resilience to external shocks and preserving macroeconomic stability amid an increasingly uncertain global financial environment.

The transferable surplus for 2025-26 has been arrived at on the basis of the revised Economic Capital Framework (ECF) as approved by the Central Board, the RBI said. The revised ECF provides flexibility to maintain the CRB between the range of 4.5 per cent and 7.5 per cent of the size of the Balance Sheet. It has maintained the CRB at 6.5 per cent of the size of the RBI balance sheet.

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