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RBI Approves Record ₹2.87 Lakh Crore Surplus Transfer to Centre for FY26

23 May 2026 · ECONOMY · POLITY · GS3

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23 May 2026 · 4 min read

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WHY IN NEWS:

The Reserve Bank of India's (RBI) Central Board, chaired by Governor **Sanjay Malhotra**, on May 22, 2026 approved the transfer of **₹2,86,588.46 crore (~₹2.87 lakh crore)** as surplus to the Central Government for FY26 — the **highest dividend payout in RBI's history**, surpassing the previous record of ₹2.69 lakh crore in FY25. The decision was taken at the **623rd meeting of the Central Board** held in Mumbai.

STATUTORY AND INSTITUTIONAL FRAMEWORK

Legal Basis

The surplus transfer is governed by **Section 47 of the Reserve Bank of India Act, 1934**, which provides that after making provisions for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds, and other matters usually provided for by bankers, **the balance of profits shall be paid to the Central Government.**

Revised Economic Capital Framework (ECF)

The decision is anchored in the **Revised Economic Capital Framework (ECF)**, originally adopted in **August 2019** based on recommendations of the **Bimal Jalan Committee** (constituted November 2018; report unanimously approved by the committee on August 14, 2019 and accepted by the RBI Central Board on August 26, 2019).

The **revised ECF (May 2025)** widened the band for the **Contingent Risk Buffer (CRB)** from the earlier 5.5%-6.5% to a more flexible **4.5%-7.5% of the RBI's balance sheet.**

For FY26, the Board maintained the **CRB at 6.5%** (down from 7.5% in FY25). This **1 percentage point reduction** freed **₹1,09,379.64 crore** (versus ₹44,861.70 crore freed in FY25) — a major contributor to the record surplus.

RBI BALANCE SHEET SNAPSHOT (AS ON MARCH 31, 2026)

INDICATOR	FY26 VALUE	YOY CHANGE
Balance sheet size	₹91,97,121.08 crore	+20.61%
Gross income	—	+26.42%
Expenditure (pre-risk provisions)	—	+27.60%
Surplus transferred to Centre	₹2,86,588.46 crore	Record
CRB ratio maintained	6.5%	Down from 7.5%

WHY THE SURPLUS ROSE

Key Drivers

- **Forex revaluation gains** on RBI's substantial foreign currency asset portfolio
- **Higher interest income** earned on forex assets in a rising global rate cycle
- **Reduction in CRB** ratio from 7.5% to 6.5% — releasing ~₹1.09 lakh crore
- **Aligned accounting year** — RBI shifted to **April-March** financial year from FY21 (earlier July-June), enabling synchronisation with Union Budget cycle

HISTORICAL SURPLUS TRANSFERS TO CENTRE

FINANCIAL YEAR	SURPLUS TRANSFERRED	REMARKS
FY16	₹65,876 crore	—
FY18	₹50,000 crore	Impact of demonetisation
FY19	₹1.76 lakh crore	Includes one-time CRB excess transfer post-Jalan Committee
FY22	₹30,307 crore	Pandemic year
FY23	₹87,416 crore	—
FY24	₹2.11 lakh crore	—
FY25	₹2.69 lakh crore	Previous record
FY26	₹2.87 lakh crore	All-time high

FISCAL IMPLICATIONS

For the Union Budget FY27

- The fiscal deficit target for FY27 is **4.4% of GDP**, in line with the glide path
- The record surplus helps the Centre meet this target **without compressing capital expenditure** (₹11.21 lakh crore in FY27 budget)
- The dividend forms a major component of “**non-tax revenue**” in the Receipts Budget

Concerns About Recurring Above-Budget Dividends

- Successive above-budget RBI dividends risk becoming a **structural revenue assumption** rather than a windfall
- Critics warn this may **weaken fiscal discipline** and incentivise CRB compression beyond prudential needs
- Counter-argument: the CRB ratio of 6.5% remains in the **middle of the 4.5%-7.5% band**, preserving adequate buffers

BIMAL JALAN COMMITTEE ON ECF (2018-19)

Key Recommendations

- Separate framework distinguishing **market risk** (covered by revaluation reserves) and **credit/operational risk** (covered by CRB)
- Originally proposed **CRB band of 5.5%-6.5%**
- Endorsed transfer of any **excess CRB to the Centre** — implemented through the one-time ₹52,637 crore transfer in FY19
- Subsequent revision (May 2025) widened the band to 4.5%-7.5%

COMPARATIVE GLOBAL PERSPECTIVE

CENTRAL BANK	RECENT REMITTANCE TO TREASURY	REASON
US Federal Reserve	\$0 (2023-25)	Interest rate losses on bond portfolio
European Central Bank	€0 (2022-24)	Negative seigniorage from QE unwind
Bank of England	Net negative	Treasury indemnity invoked
Reserve Bank of India	₹2.87 lakh crore (FY26)	Strong forex reserves, conservative stance

India's positive surplus reflects strong **forex reserves** (over \$700 billion), **conservative monetary stance**, and absence of large bond-purchase programme losses.

UPSC RELEVANCE

- **GS Paper 3 — Economy:** RBI's autonomy, monetary policy, public finance, fiscal-monetary coordination
- **GS Paper 3 — Government Budgeting:** Non-tax revenue, fiscal deficit management, FRBM glide path
- **Prelims:** Section 47 of RBI Act, Bimal Jalan Committee, ECF, CRB, RBI Central Board composition
- **Mains:** Discuss the implications of recurring above-budget RBI surplus transfers on India's fiscal-monetary architecture and central bank independence

FACTS CORNER

Surplus for FY26: ₹2,86,588.46 crore (~₹2.87 lakh crore) — record

Statutory provision: Section 47, RBI Act, 1934

Decided at: 623rd Central Board meeting, Mumbai, May 22, 2026

RBI Governor: Sanjay Malhotra (since December 11, 2024)

Economic Capital Framework: Adopted August 2019; revised May 2025

Bimal Jalan Committee: Constituted November 2018; report approved Aug 14, 2019; accepted by RBI Central Board Aug 26, 2019

Revised CRB band: 4.5%-7.5% of balance sheet

FY26 CRB maintained at: 6.5% (down from 7.5% in FY25)

RBI balance sheet (Mar 31, 2026): ₹91,97,121.08 crore (+20.61% YoY)

RBI accounting year: April-March (since FY21; earlier July-June)

Central Board chair: RBI Governor

Sources: [RBI](#), [PIB](#), [Business Standard](#)

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