

## **RBI dividend at record high**

*RBI declared a record Rs. 2.9 lakh crores surplus transfer to the government in FY26, compared with Rs. 2.7 lakh crores in FY25. The higher surplus can be attributed to revaluation gains on forex reserves. The current INR/USD rate is also higher than historical averages, hence the valuation gains is attributing to higher surplus. The other part may be due to interest earning on holding of rupee securities, due to record high OMO purchase by RBI in FY26. The higher surplus is positive in terms of maintaining the targeted fiscal deficit, especially at a time when elevated geopolitical risks have caused a pressure on exchequer.*

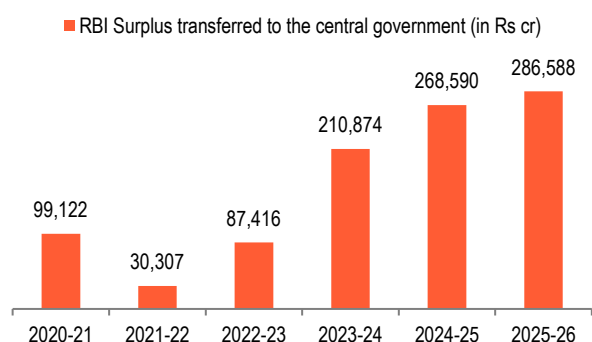
*RBI has also highlighted that the balance sheet has expanded by 20.6% to ₹92 lakh crore as of Mar 2026, compared to Rs 76.3 lakh crore in the previous year. The contingency risk buffer is maintained at 6.5% of balance sheet which was 7.5% in the previous year.*

*India's 10Y yield is likely to be sticky at above 7% in the near term, unless war situation resolves.*

### **What has led to record high surplus: conjectures?**

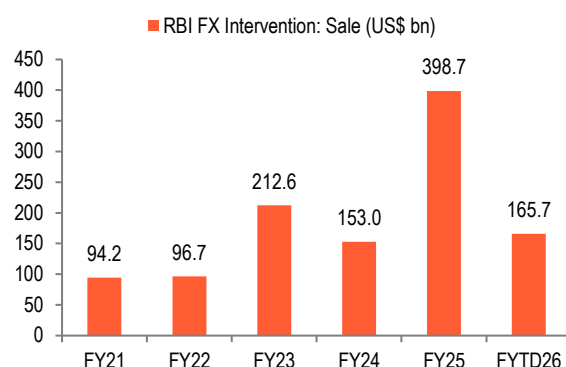
RBI has transferred a dividend of Rs 2.87 lakh crore to the government for 2025-26. The budgeted amount which is also inclusive of dividend transfer of Nationalised Banks & Financial Institutions is at Rs 3.2 lakh crore for FY27. Thus, from RBI itself a windfall gain has been received. This component of non-tax revenue is likely to be higher since Banks are also reporting stable earning. RBI's surplus transfer has been significant in the past four years consecutively. A result of such unexpected increase could be higher interest income from foreign securities (exchange gain from foreign exchange transactions). This is because the current INR/USD rate is much higher than the historical rate of foreign exchange purchases. It is to be mentioned here that RBI's dollar sales have been US\$ 165.7bn in FYTD26 (till Feb'26), albeit lower than previous year level of US\$ 398.7bn. The other part of increase in income can be due to higher balance in the interest on holding of rupee securities. This is because RBI has done highest OMO purchase in FY26 to support durable liquidity (Rs 8.8 lakh crore of OMO purchase, Source: Bloomberg data on RBI purchase of GSec in secondary market).

**Figure 1: Surplus transferred to Government increased**



Source: RBI, Bank of Baroda Research

**Figure 2: RBI's dollar sales**



Source: CEIC, Bank of Baroda Research

**Impact:**

1. The dividend transfer by RBI has remained broadly in-line with the budgeted amount. This bodes well on non-tax revenue front, where OMCs dividend will already be under pressure due to mounting losses from higher international oil prices. Bank's financial results also provide hope for a stable dividend number. Thus, this number is positive from India's fiscal standpoint especially amidst upside risks emerging from higher fertilizer subsidy bill and shortfall from special additional excise duty cut. The extent of the risk is contingent on the length of the war.
2. India's 10Y yield has closed at 7.09%, only 3bps lower than previous day close. Thus, market sentiment is more inclined towards war-related sentiments now and about RBI's upcoming move on rates. We expect stickiness in yields to continue unless war situation reverts to normalcy.

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