RBI Dividend

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RBI Dividend Latest News

The Reserve Bank of India (RBI) has approved the transfer of a ₹2.69 lakh crore surplus to the Union Government as dividend for the financial year 2024-25.

What is a Dividend in Public Finance?

- A **dividend** refers to a **portion of profits** returned by a corporation or institution to its **shareholders**; in the case of the RBI, the **Government of India** is the sole shareholder.
- Dividends are a **non-tax revenue** source for the government and help in **bridging fiscal deficits**.
- RBI dividends are governed by the **Reserve Bank of India Act, 1934** and are subject to approval by the **RBI Central Board**.
- **Dividend Yield** measures the **return from dividends** relative to the **stock price**, calculated as:
  - **Dividend Yield = (Annual Dividend per Share) / (Current Market Price of Share)**
- Although **private dividends** require shareholder approval, RBI's transfer is a **policy-based institutional mechanism**.

Why Did RBI Earn Higher Surplus in 2024-25?

- The **higher surplus** in 2024-25 is attributed to:
    - **Increased sale of foreign exchange reserves**, especially in **January 2025**, when the RBI was the **top seller among Asian central banks**.
    - **Higher interest income** from investments in **government securities and foreign assets**.
    - **Gains from forex transactions** amid volatility in global markets.
- This is **27% higher** than the **₹2.10 lakh crore** dividend transferred in the **previous year** (2023-24), indicating a sharp rise in RBI's earnings.
- The **transferable surplus** was calculated as per the **Revised Economic Capital Framework (ECF)**, approved on **May 15, 2025**.
- The **ECF** determines how much surplus RBI can safely transfer while keeping enough capital to **absorb financial shocks**.

RBI Dividend FAQs

Q1: What is the RBI Dividend?
Ans: RBI Dividend refers to the surplus profit that the Reserve Bank of India transfers to the Central Government, after meeting its operational expenses and contingency provisions.

Q2: Under what legal provision does RBI transfer dividends?
Ans: The transfer is made under Section 47 of the RBI Act, 1934, which mandates that any surplus from RBI's operations be transferred to the Government.

Source: TH
