



RBI Issues Revised Prudential Norms for Declaration of Dividend and Remittance of Profits by Banks and Other Regulated Entities

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The Reserve Bank of India (RBI), vide press release dated March 10, 2026, has issued revised Master Directions on Prudential Norms for Declaration of Dividend and Remittance of Profits applicable to various regulated banking entities. These Directions have been finalized after considering stakeholder feedback on the draft guidelines released on January 6, 2026. The revised framework covers commercial banks, small finance banks, payment banks, local area banks, and regional rural banks, and will come into effect from Financial Year (FY) 2026-27, while the existing norms will continue to apply up to FY 2025-26.

Analysis

- The RBI had earlier released draft Directions in January 2026 to review and consolidate the prudential norms governing declaration of dividends and remittance of profits by regulated banking entities. The consultation process aimed to ensure alignment of dividend distribution practices with prudential capital and financial stability considerations.
- After examining feedback received from stakeholders, the RBI has finalized and issued five Master Directions covering the prudential framework for dividend declaration applicable to different categories of banks, including commercial banks, small finance banks, payment banks, local area banks, and regional rural banks.
- To streamline the regulatory framework, the RBI has also issued four Repeal Directions, which withdraw the earlier instructions governing dividend declaration for the respective banking categories. This ensures that the revised framework replaces the existing regulatory regime in a consolidated and updated form.
- In addition, the RBI has issued an Amendment Guideline relating to the setting up of wholly owned subsidiaries by foreign banks, indicating that the revised prudential norms also align with broader regulatory requirements applicable to foreign banking operations in India.
- The new Directions will become effective from FY 2026-27, while the currently applicable prudential norms governing dividend declaration and profit remittance will continue to remain valid for FY 2025-26, thereby providing a transition period for regulated entities to align with the revised framework.



- The revised Directions are expected to enhance regulatory clarity and ensure that dividend declarations remain aligned with the financial health and capital adequacy of regulated banking entities. The framework will impact commercial banks, small finance banks, payment banks, local area banks, and regional rural banks, which will need to review their dividend distribution and capital planning policies. The transition period until FY 2026–27 provides these entities time to align their internal governance and compliance processes with the revised prudential norms.
- Key Takeaways
 - RBI has issued revised Master Directions on prudential norms for declaration of dividend and remittance of profits applicable to multiple categories of banks.
 - The framework covers commercial banks, small finance banks, payment banks, local area banks, and regional rural banks.
 - Four repeal directions have been issued to withdraw the earlier dividend-related instructions.
 - An amendment guideline on wholly owned subsidiaries of foreign banks has also been notified.
 - The revised regulatory framework will come into force from FY 2026-27, while existing norms remain applicable until FY 2025-26.
- The notification is attached herein.

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