

Govt to earn record dividend of ₹13,800 crore from PSBs for FY23

12 PSBs paying equity dividend of ₹21,000 crore, up 53% from ₹13,710 crore for FY22

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The government is set to earn an equity dividend of nearly ₹13,800 crore from the listed public-sector banks (PSBs), all 12 of them, for FY23, up 50 per cent from ₹9,210 crore in FY22.

This will be the highest ever dividend for the government from PSBs.

The 12 PSBs in our sample are paying an equity dividend of nearly ₹21,000 crore for FY23, up 53 per cent from ₹13,710 crore for FY22. This was the best year for PSBs in terms of earnings and dividend payment (see the adjoining charts).

Among individual PSBs, growth in dividend payouts was driven by State Bank of India (SBI), which declared ₹10,085 crore, of which ₹5,740 crore goes to the government. SBI accounted for 48 per cent of the dividends paid by PSBs in FY23 and 42 per cent of the government's earnings from PSBs last financial year.

It was followed by Bank of Baroda, which gave ₹2,848 crore and Canara Bank ₹2,177 crore. The surge was driven by a sharp jump in the revenues and net profits of PSBs in the last two years.

The combined net profits of the listed PSBs grew to a record high of ₹1.05 trillion in FY23, up 57.3 per cent from ₹66,540 crore in FY22 and ₹31,818 crore in FY21. In comparison, at the peak of the bad loan crisis, PSBs had reported a combined net loss of little over ₹76,000 crore in FY18, followed

by a net loss of nearly ₹59,800 crore in FY19.

For comparison, the PSBs' combined gross interest income was up 20 per cent year-on-year to ₹8.51 trillion in FY23 from ₹7.09 trillion a year earlier. In the same period, their revenues, including fees and treasury income, were up 15.7 per cent year-on-year to ₹9.7 trillion.

Growth in PSBs' revenues in FY23 was fuelled by a rise in lending rates and a recovery in loans.

On the earnings side, PSBs gained from a sharp decline in provisions and contingencies for non-performing assets (NPAs). Provisions for NPAs were down 9.7 per cent y-o-y to around ₹97,000 crore in FY23, the lowest in the last eight years. A sharp rise in dividend payout by PSBs will be a fiscal boost for the government and help it lower the fiscal deficit.

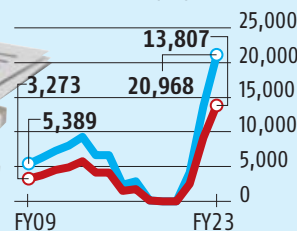
Dividend income comes under non-tax revenues. However, it will take years of high dividend payouts for the government to recover its large incremental equity investment in PSBs since FY15. The PSBs' paid-up capital, or the equity shares owned by their shareholders, including the government, was up more than five times during the period from around ₹13,900



DIVIDEND BY PSBs ZOOMS

Historical trend in listed PSBs equity dividend and govt share in it

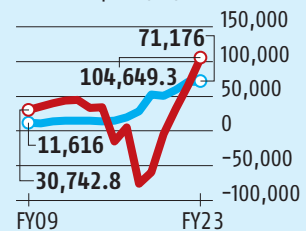
— Total equity dividend (₹ cr)
— Govt share (₹ cr)



....AS NET PROFITS BOOM

Historical trend in PSBs' equity capital and net profit

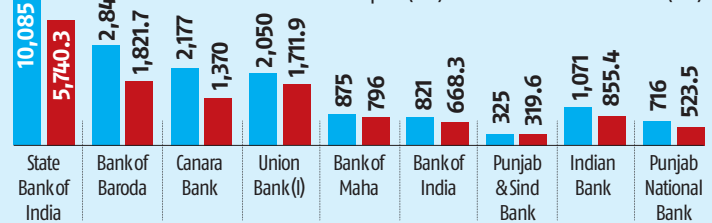
— Paid-up capital (₹ cr)
— Net profit (₹ cr)



Note: Previous year figures include the numbers of PSBs that merged with other PSBs in 2019
Source: Capitaline

TOTAL DIVIDEND PAY-OUT

— Total dividend paid (₹ cr) — Govt's share of dividend (₹ cr)



crore at the end of March 2015 to nearly ₹72,200 crore at the end of March FY23. Their equity expanded during the period as the government shored up their depleted capital.

As a result, the ratio of equity dividend to paid-up capital for PSBs was only 0.29 in FY23, less half the record

high of 0.61 in FY13.

The ratio indicates the relative dividend yield for shareholders on their equity investment in the company. The ratio is over 100 for the cash-rich and highly profitable firms such as Tata Consultancy Services and 19 in the case of HDFC Bank.