Polity & Governance · GS - II

Under what circumstances can the Financial Emergency be proclaimed by the President of India? What consequences follow when such a declaration remains in force?

EXAM YEAR	PAPER	SUBJECT
2018	GS - II	Polity & Governance

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Article 360; financial stability; credit of India; presidential proclamation; parliamentary approval; Union directions; salary reductions; fiscal federalism

Model Answer

Introduction

Article 360 of the Constitution empowers the President to proclaim a Financial Emergency if satisfied that a situation has arisen whereby the financial stability or credit of India or any part of its territory is threatened.

Circumstances and Procedure

1. **Constitutional condition:** A threat to the financial stability or credit of India or any part of its territory must exist.
2. **Proclamation:** The President issues the proclamation, subject to constitutional requirements.
3. **Parliamentary approval:** It must be approved by both Houses of Parliament within two months. If the Lok Sabha is dissolved, special provisions apply.
4. **Duration:** Once approved, it continues until revoked; the Constitution prescribes no maximum duration.

Consequences While It Remains in Force

1. **Union directions:** The Union may direct states to observe specified financial propriety measures.

2. **Salary reductions:** Directions may provide for reduction of salaries and allowances of persons serving the Union or states, including judges of the Supreme Court and High Courts.
3. **State financial bills:** The President may require certain state Money Bills and other financial Bills to be reserved for consideration.
4. **Stronger fiscal supervision:** State financial administration becomes subject to enhanced Union directions, affecting fiscal autonomy.

Conclusion

Article 360 is an extraordinary safeguard against severe financial instability. Its use requires constitutional discipline because its consequences can significantly affect state autonomy and public institutions.

BECOME IAS
AI POWERED UPSC PREP