

UPSC Preparation

Financial Emergency [Article 360]

Part XVIII (Article 352-360) of the Constitution of Indian talks about the Emergency Provisions. In particular, Article 360 talks about the Financial Emergency. It is one of the three types of emergency provisions embedded in the Indian Constitution. The other two are:

- [National Emergency](#) - Article 352
- Emergency due to the failure of the constitutional machinery in the states - [President's Rule](#) - Article 356

What is Article 360?

- Article 360 of the Indian Constitution empowers the President to invoke financial emergency.
- **Grounds of declaration** - If the President is satisfied that a situation has arisen due to which the financial stability or credit of India or any part of its territory is threatened.
- **38th Amendment Act of 1975** - The satisfaction of the president in declaring a Financial Emergency is final and conclusive and not questionable in any court on any ground.
- **44th Amendment Act of 1978** - deleted the provision added by the 38th Amendment Act of 1975, which implies that the satisfaction of the president is not beyond judicial review (that is, it can be challenged in court).

Parliamentary Approval and Duration

- A proclamation declaring financial emergency must be approved by **both the Houses** of Parliament (i.e., Lok Sabha and Rajya Sabha) **within two months** from the date of its issue.
- If such proclamation is issued at a time when the Lok Sabha has been dissolved or the dissolution takes place during the two months without approving the proclamation, then the proclamation survives until 30 days from the first sitting of the Lok Sabha after its reconstitution, provided the Rajya Sabha has in the meantime approved it.
- After approval of both the Houses of Parliament, the Financial Emergency continues indefinitely till it is revoked.

To know:

There is no maximum period prescribed for its operation.
Repeated parliamentary approval is not required for its constitution.

How easy is it to approve a financial emergency?

A resolution approving the proclamation of financial emergency can be passed by either House of Parliament only by a **simple majority** (that is, a majority of the members of that house present and voting).

How to revoke a financial emergency?

A proclamation of Financial Emergency may be revoked by the president at any time by a subsequent proclamation. Such a proclamation doesn't require the approval of Parliament.

Consequences of Financial Emergency

The consequences of such a declaration are as follows:

1. The Union government shall give directions to any State to observe such canons of financial propriety as may be specified in the directions.
2. The directions may include:
 - i) The President may order the States to reduce the salaries and allowances of all or any class of employees serving in connection with the state of affairs.
 - ii) Money bills or other financial bills are to be reserved for the consideration of the President after they are passed by the Legislature of the State.
 - iii) Also, the President can issue directions for the reduction of salaries and allowances of all or any class of persons serving in connection with the affairs of the Union, including the Judges of the Supreme Court and the High Courts.

Criticism

- The Union government gains complete authority over States in respect to financial matters during the period of financial emergency.
- This causes a threat to the State's financial sovereignty.
- According to H N Kunzru, 'the financial emergency provisions pose a serious threat to the financial autonomy of the States.'

Significance

- One of the Constitution makers, Dr BR Ambedkar explained the inclusion of financial emergency provisions in the Constituent Assembly as, 'this article more or less follow the National Recovery Act, 1933 of the United States, which gave the President power to make similar provisions in order to overcome the difficulties of American people caused as a result of the Great Depression of the 1930s.
- Situations like economic recession or any other financial crisis can be easily averted by financial emergency provisions.

FAQ about Financial Emergency

How many times Financial Emergency has been declared in India so far?

No use of Article 360 (Financial Emergency) has ever been made. But in 1991, it was a close situation to proclaim a Financial emergency due to a balance of payment crisis. But it was not declared at that time.

What is the major worry of the States regarding the declaration of financial emergency?

The financial autonomy of the State will be nullified, and there is a fear that the President and Union Executive would exercise a form of constitutional dictatorship.