

Bill No. I of 2025

THE CONSTITUTION (AMENDMENT) BILL, 2025

A

BILL

further to amend the Constitution of India.

BE it enacted by Parliament in the Seventy-sixth Year of the Republic of India as follows:—

- | | | |
|----|--|-------------------------------|
| 1. | (1) This Act may be called the Constitution (Amendment) Act, 2025. | Short title and commencement. |
| | (2) It shall come into force immediately. | |
| 5 | 2. In article 293 of the Constitution, for clause (4), the following shall be substituted, namely:— | Amendment of article 293. |
| | “(4) A consent under clause (3) may be granted subject to such conditions, if any, as the Government of India may think fit to impose: | |

Provided that the Government of India while imposing any condition under this clause shall ensure that —

(i) restrictions are reasonable and do not unduly hamper a State's ability to manage its finances effectively in view of the financial autonomy given to States;

5

(ii) there is well defined consultation process with State Governments before prescribing any conditions on borrowing;

(iii) there is equitable treatment so that the borrowing terms and restrictions are applied uniformly for all States; and

(iv) transparency is maintained in decision-making thereby ensuring that the procedures and standards for accepting or rejecting governmental borrowings are transparent to the public.”

10

STATEMENT OF OBJECTS AND REASONS

Part XII of the Constitution deals with the borrowing powers of the Centre and States. Article 292 speaks about the borrowing power of the Central Government which entitles the Central Government to borrow loans upon the security of the Consolidated Fund of India. Article 293(1) empowers the State Government to borrow within the territory of India upon the security of the Consolidated Fund of the State. In both cases, the extent of borrowing may be fixed from time to time by a law enacted by Parliament and the State legislature, respectively. As per Article 293(2), the Central Government may grant loans to any State subject to conditions laid down by any law made by Parliament up to the limits fixed under Article 292. Article 293(3) imposes a restriction on the State Government borrowings if the repayment of loans or a guarantee which has been given by the Government of India is still outstanding. In this case, the consent of the Central Government is essential to raise such a loan. The Central Government under article 293(4) has been given wide discretion over consent by specifying that permission to raise such loan be granted subject to any conditions as the Central Government deems appropriate.

In view of the transforming economic, political, and fiscal landscape in India, it is time to revisit Article 293 of the Constitution. Article 293 emanates from Section 163(4) of the Government of India Act, 1935. Section 163(4) of the Government of India Act, 1935 warns the unnecessary refusal or delaying or the imposing of conditions in granting loans by the Centre.

Therefore, there is a need to amend Article 293 of the Constitution in the manner to ensure that there must be proper norms which are to be followed to when the Centre exercises the wide powers granted under Article 293(4) of the Indian Constitution which is crucial in maintaining a balanced fiscal framework between the Centre and the States, and which enhances cooperative federalism. In such absence, there could be decision-making that may disrupt fiscal discipline, leading to either unchecked borrowing or overly restrictive conditions. While exercising the wide powers granted under Article 293(4), the Centre should adhere to ensuring consultative process with States; equitable treatment in applying borrowing terms and imposing restrictions; transparency in procedures and standards for accepting or rejecting governmental borrowings and financial autonomy of the State. Adhering to these norms can ensure that the Centre's powers under Article 293(4) are exercised fairly, transparently and in a manner that supports balanced fiscal management and cooperative federalism.

Hence, this Bill.

A. D. SINGH

ANNEXURE

EXTRACT FROM THE CONSTITUTION OF INDIA

Borrowing by States

293 (1)

*

*

*

*

*

(4) A consent under clause (3) may be granted subject to such conditions, if any, as the Government of India may think fit to impose.

*

*

*

*

*

RAJYA SABHA

A

BILL

further to amend the Constitution of India.

(Shri A. D. Singh, M.P.)