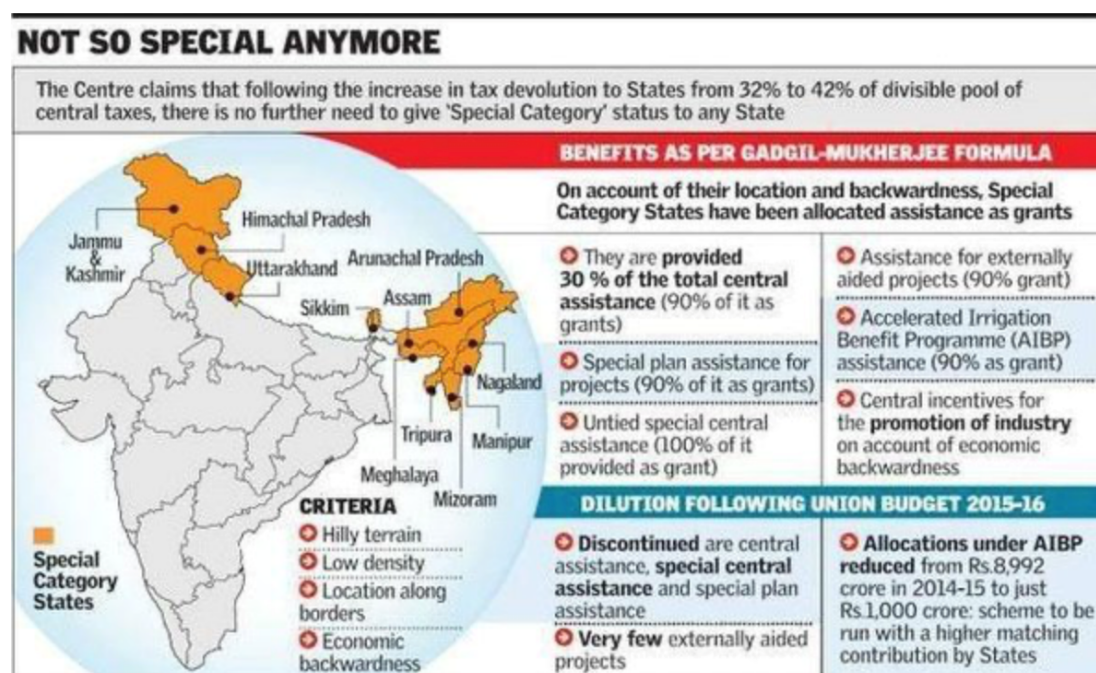


Special Category Status

Why in news?

N Chandrababu Naidu has demanded the Special Category State status for Andhra Pradesh.

What is Special Category Status (SCS)?



- **About-** It is a classification granted by the Centre to assist the development of States that face geographical or socio-economic disadvantages.
- **Aim-** To assist certain states in their development and fast-tracking growth if they faced historical economic or geographical disadvantages.
- **Launch year-** It was introduced in 1969 on the recommendation of the 5th Finance Commission (FC).
- **Gadgil formula-** It was named after the then Deputy Chairman of the Planning Commission, Dr Gadgil Mukherjee which earmarked nearly 30% of the total central assistance for States to the SCS States.

- **Role of National Development Council-** It grants special category status, it is composed of the prime minister, union ministers, chief ministers and members of the planning commission.
- **Scrap SCS-** The system was **scrapped** on the recommendation of the **14th Finance Commission**.
- **Purpose-** It suggested that the resource gap of the states should be filled by **increasing the devolution of tax to 42% from the existing 32%**.

About	Special Category Status	Special Status
Provision	It is granted by the <i>National Development Council</i> , which is an administrative body of the government	The Constitution (<i>Article 371 to 371-J</i>) provides special status through an Act that has to be passed by 2/3 rd majority in both the houses of Parliament
Powers	Deals only with economic, administrative and financial aspects.	Empowers them with legislative and political rights.
Applicable States	11 States - Assam, Sikkim, Manipur, Nagaland, Himachal Pradesh, Mizoram, Meghalaya, Tripura, Arunachal Pradesh, Uttarakhand and Telangana.	12 States- Maharashtra, Gujarat, Nagaland, Goa, Assam, Manipur, Andhra Pradesh, Arunachal Pradesh, Telangana, Sikkim, Mizoram and Karnataka.

Why Andhra Pradesh wants Special Category Status?

- **Bifurcation-** When Andhra Pradesh was bifurcated to create Telangana in 2014 through the *Andhra Pradesh Reorganisation*

Act, the Centre promised Special Category Status (SCS) to Andhra Pradesh to compensate for the loss of revenue and Hyderabad, the development hub.

- **Loss of revenue-** When Andhra Pradesh was divided to create Telangana, Hyderabad, a major economic hub, went to Telangana. This resulted in a significant loss of revenue for AP
- **Need of SCS-** It aimed at more funds to be made available from the Centre to overcome the “distressing” financial situation of the state.
- **Unjust bifurcation-** AP argues that the undivided state was bifurcated in an unjust and inequitable manner.
- **Telangana-** The successor state inherited nearly 59% of the population, debt, and liabilities of the original state, but only 47% of its revenues.

Hyderabad accounted for a significant portion of software exports, benefiting Telangana disproportionately.

- **Status of Andhra Pradesh-** AP is essentially an agrarian state, with low economic buoyancy, leading to huge revenue disabilities.

The per capita revenue in Telangana was significantly higher than in AP.

What is the significance of SCS?

- **Centre-State funding-** Centrally sponsored schemes is divided in the ratio of 90:10, far more favourable than the 60:40 or 80:20 splits for the general category States.
- **Special treatment-** Preferential treatment in getting Central funds as 30% of the Centre's gross budget also goes to special category.
- **Incentives-** These States can avail the benefit of debt-swapping and debt relief schemes.
- **Tax exemption-** States with special category status are exempted from customs duty, corporate tax, income tax and

other taxes to attract investment.

- Concession is provided to excise duty for attracting industries to the State.
- **Carry forward**- If they have unspent money in a financial year, it does not lapse and gets carry forward for the next financial year.
- **Increased devolution**- Assistance to SCS states has been subsumed in an increased devolution of the divisible pool funds for all States (increased to 41% in the 15th FC from 32%).
- **High grants-in-aid**- SCS would mean **higher grants-in-aid** to the state government from the Centre.
- **Promote investment**- SCS would **encourage investments** in specialty hospitals, five-star hotels, manufacturing industries, high-value service industries such as IT, and premier institutions of higher education and research.

Other States demanding SCS

- **Odisha**- It has been demanding the Special Category Status citing instances of being the most vulnerable state to *natural calamities like cyclones*.
- **Bihar**- The demand comes in the backdrop of the findings from the “Bihar Caste-based Survey, 2022”, which revealed that nearly *one-third of Bihar’s population continues to live in poverty*.

Reference

[The Indian Express | Special Category Status for AP](#)