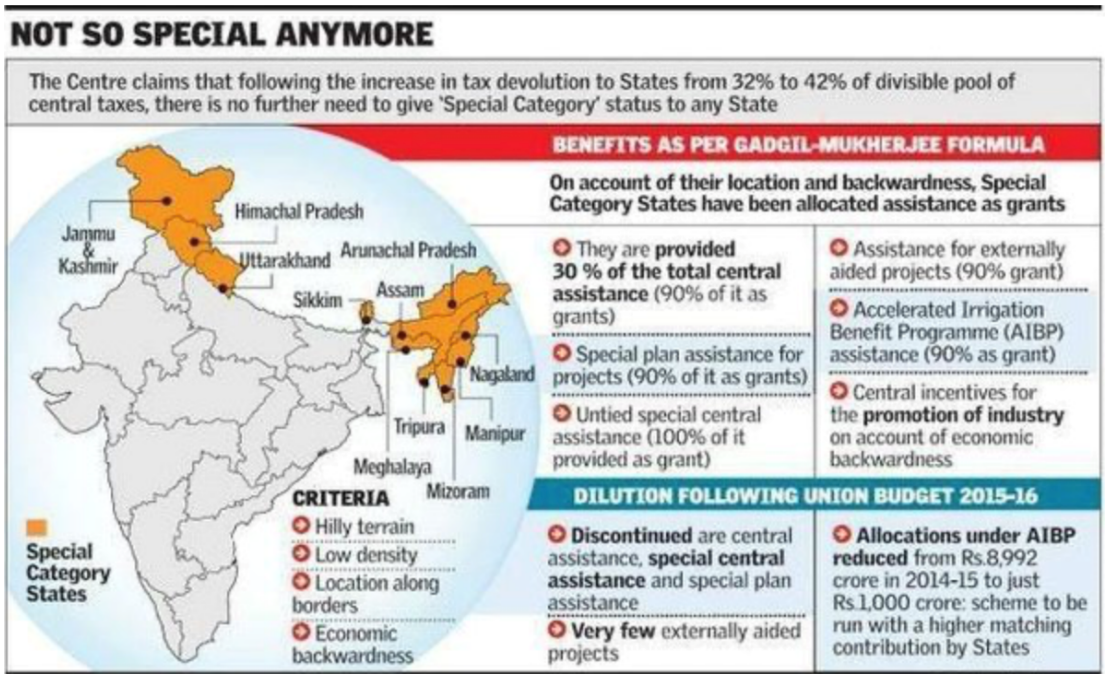
Special Category Status

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 *National Development Council*, which is an administrative body of the government	The Constitution (*Article 371 to 371-J*) provides special status through an Act that has to be passed by 2/3rd 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

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