

3. Special Category Status to States

Prelims Level: Institutional Reforms

Mains Level: GS-II Indian Constitution- Historical Underpinnings, Evolution, Features, Amendments, Significant Provisions and Basic Structure.

Context:

- Andhra Pradesh has recently revived its demand for Special Category Status (SCS).

What is Special Category Status (SCS)?

- There is no provision of SCS in the Constitution; the Central government extends financial assistance to states that are at a comparative disadvantage against others.
- The concept of SCS emerged in 1969 when the **Gadgil formula (that determined Central assistance to states)** was approved.
- First SCS was accorded in 1969 to **Jammu and Kashmir, Assam and Nagaland**.
- Over the years, eight more states were added to the list — **Arunachal Pradesh, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Sikkim, Tripura** and, finally, in 2010, **Uttarakhand**.
- Until 2014-15, SCS meant these 11 states received a variety of benefits and sops.

What are the differences between Special Status and Special Category Status?

- The constitution provides special status through an Act that has to be passed by 2/3rds majority in both the houses of Parliament whereas the special category status is granted by the National Development Council, which is an administrative body of the government.
- For example, **Jammu and Kashmir** enjoyed a **special status** as per **Article 370** and also **special category status** as per **Article 371**.
- But now **Article 35A has been scrapped** and it has become a union territory with legislature. Now, both **Special Status** and **Special Category status** doesn't apply to **J&K anymore**.
- The Ministry of Home Affairs (MHA) is holding consultations with the **Union Territories of Jammu and Kashmir (J&K) and Ladakh** to grant them "**special category status**" on the lines of **Article 371** of the Constitution.

What are the criteria for Special Category Status?

- Hilly and difficult terrain
- Low population density or sizeable share of tribal population
- Strategic location along borders with neighbouring countries

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- Economic and infrastructural backwardness
 - Non-viable nature of state

Who Grants Special Category status to states?

- The decision to grant special category status lies with the **National Development Council**, composed of the **prime minister, union ministers, chief ministers and members of the planning commission**, who guide and review the work of the commission.
- Special category status for plan assistance has been granted in the past by the National Development Council (NDC) to some states that are characterized by a number of features necessitating special consideration.

What are the Benefits confer to the States with Special Category Status?

- The central government bears **90 percent of the state expenditure on all centrally-sponsored schemes and external aid while rest 10 percent is given as loan to state at Zero Percent Rate of Interest**. Usually, the ratio for general category States is 70% loan and 30% grant.
- Preferential treatment in getting central funds.
- Concession on excise duty to attract industries to the state.
- 30 percent of the Centre's gross budget also goes to special category states.
- These states can avail the benefit of debt-swapping and debt relief schemes.
- States with special category status are exempted from customs duty, corporate tax, income tax and other taxes to attract investment.
- Special category states have the facility that if they have unspent money in a financial year; it does not lapse and gets carry forward for the next financial year.

What are the Concerns?

- Considering special status to any new State will result in demands from other States and dilute the benefits further.
- It is also not economically beneficial for States to seek special status as the benefits under the current dispensation are minimal.
- Therefore, States facing special problems will be better off seeking a special package.