

Bihar's demand for Special Category Status

Why in news?

In light of the [“Bihar Caste-based Survey, 2022”](#) which showed that almost 33% of Bihar's people are poor, the State government seeks Special Category Status.

What is Special Category Status (SCS)?

- It is a classification granted by the Centre to assist the development of States that face geographical or socio-economic 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.



- **Authority to grant SCS status**- National Development Council.
- **Discontinuation**- It was discontinued in 2015 after the 14th Finance Commission recommendations.

About	Special Category Status	Special Status
Provision	It is granted by the <u>National Development Council</u> , which is an administrative body of the government	The Constitution (<u>Article 371 to 371-J</u>) 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.

What are the benefits 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%).

Other States demanding SCS

- **Andhra Pradesh-** Since its bifurcation in 2014, it has asked for a grant of SCS on the grounds of revenue loss due to Hyderabad going to Telangana.
- **Odisha-** Due to its vulnerability to natural calamities such as cyclones and a large tribal population (nearly 22%).
- **Centre's response-** It denied citing the 14th FC report, which made a recommendation to the Centre that no State be accorded the SCS.

Why Bihar is demanding SCS?

- **Poverty-** As per Bihar caste survey, nearly one-third of Bihar's population continues to live in poverty.
- **Backwardness-** Bihar is one of the most backward States in India with a per-capita GDP of around 54,000 rupees, which is less than half of the national average.
- **Low resource-** The State faces challenges such as lack of natural resources, inadequate water supply for irrigation, frequent floods and droughts, and low human development indicators.
- **Industrial decline-** Bifurcation of Bihar in 2000 resulted in the loss of mineral-rich areas and major industries to Jharkhand, leaving Bihar with a weak industrial base and low revenue.
- **Poor investment-** It has been struggling to attract private investment and create employment opportunities for its large population.
- **Need financial assistance-** Bihar has been demanding the SCS since 2010, to get more financial assistance and tax incentives from the Centre.

Is Bihar demand justified?

- **SCS criteria-** It does not have hilly and difficult terrain, which is a major factor for granting SCS.
- **Raghuram Rajan Committee-** It was set up in 2013 to suggest a new formula for allocating funds to the States.
- The committee ranked the States based on a multi-dimensional index, which included per capita consumption, poverty ratio, education, health, household amenities, urbanization, financial inclusion, and connectivity.
- Bihar was ranked the lowest among all the States, indicating its least developed status.
- The committee recommended that the Centre should provide a fixed amount of funds to each State based on their development needs, and not on the basis of SCS or non-SCS.
- The committee also suggested that the States should be given more flexibility and

autonomy in spending the funds according to their priorities.

- The committee's report was not accepted by the Centre, and the SCS issue remained unresolved.

Reference

[The Hindu- Why Bihar demands special category statu](#)

